



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



2018

ANNUAL REPORT

* 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 annual 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 Zhang Bo, head of the accounting department (Accounting Officer), declare that they warrant the truthfulness, accuracy and completeness of the financial report in the annual report.

All directors have attended the board meeting to review this report.

The Company is exposed to various risk factors such as macro-economic fluctuation, state policies and regulations and competition in the industry. 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 Discussion and Analysis of Operations.

The proposed profit distribution plan of the Company was considered and passed by the Board:

The audited consolidated net profit attributable to shareholders of the Company for 2018 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB2,509,828,858.47. When deducting the interest on perpetual bonds of RMB347,140,000.00 for 2018 and the fixed dividend on preference shares of RMB214,425,000.00, the distributable profit realised for 2018 amounted to RMB1,948,263,858.47.

In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, based on the total ordinary share capital of 2,904,608,200 shares and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2018, a cash dividend of RMB2.4 (tax inclusive) per 10 shares will be distributed to holders of ordinary shares, a cash dividend of RMB2.4 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares. No bonus shares will be issued and no capitalisation issue will be made out of the reserves. A cash dividend of RMB697,105,968 will be distributed to holders of ordinary shares and a variable cash dividend of RMB279,069,767.52 will be distributed to holders of preference shares. In other words, a cash dividend of RMB6.2 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

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I Important Notice, Table of Contents and Definitions

Definitions

Item	means	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	Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
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.
Shanghai Chenming	means	Shanghai Chenming Industry Co., Ltd.
Huanggang Chenming	means	Huanggang Chenming Pulp & Paper 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
Finance Company	means	Shandong Chenming Group Finance Co., Ltd.
Chenming Leasing	means	Shandong Chenming Financial Leasing Co., Ltd. and its subsidiaries
Hongtai Real Estate	means	Shanghai Hongtai Real Estate Co., Ltd.
reporting period or the year	means	The period from 1 January 2018 to 31 December 2018
the beginning of the year or the period	means	1 January 2018
the end of the year or the period	means	31 December 2018
the prior year	means	The period from 1 January 2017 to 31 December 2017

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業	Stock code	000488
	晨鳴B		200488
	晨鳴優01		140003
	晨鳴優02		140004
	晨鳴優03		140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	晨鳴紙業	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	Hong Kong Company Secretary
Name	Yuan Xikun	Poon Shiu Cheong
Correspondence address	No. 2199 Nongsheng East Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong
Telephone	(86)-0536-2158008	(852)-2501 0088
Facsimile	(86)-0536-2158977	(852)-2501 0028
Email address	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 investment department of the Company

IV. Change in registration

Organisation registration code	913700006135889860
Change of principal activities since its listing (if any)	No
Change of the controlling shareholder (if any)	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	4/F, Tower 2, No. 16 Xisihuanzhong Road, Haidian District, Beijing
Name of the Signing Certified Public Accountants	Liu Jian and Jiang Lei

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

Yes No

Reason for retrospective adjustment or restatement

Correction of accounting errors

	2018	2017		Increase/decrease for the year as compared to the prior year After adjustment	2016	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Revenue (RMB)	28,875,756,163.56	29,851,743,848.13	29,472,453,563.98	-2.02%	22,907,118,241.84	22,566,922,464.31
Net profit attributable to shareholders of the Company (RMB)	2,509,828,858.47	3,769,325,450.93	3,769,325,450.93	-33.41%	2,063,986,822.25	1,998,578,788.75
Net profit after extraordinary gains or losses attributable to shareholders	1,953,699,849.74	3,425,779,016.95	3,425,779,016.95	-42.97%	1,611,533,699.22	1,546,125,665.72
Net cash flows from operating activities (RMB)	14,099,701,887.04	23,766,042.93	23,766,042.93	59,227.09%	2,153,049,269.84	2,153,049,269.84
Basic earnings per share (RMB per share)	0.51	1.13	1.13	-54.87%	0.99	0.95
Diluted earnings per share (RMB per share)	0.51	1.13	1.13	-54.87%	0.99	0.95
Rate of return on weighted average net assets	8.51%	15.80%	15.80%	Decreased by 7.29 percentage points	9.59%	9.23%

II Company Profile and Key Financial Indicators

VI. Major accounting data and financial indicators (Cont'd)

	As at the end of 2018	As at the end of 2017		Increase/decrease as at the end of the year compared to the end of the prior year After adjustment	As at the end of 2016	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total assets (RMB)	105,318,734,827.82	105,625,096,076.92	105,625,096,076.92	-0.29%	82,285,354,532.15	82,285,354,532.15
Net assets attributable to shareholders of the Company (RMB)	25,048,731,454.79	27,778,529,074.90	27,778,529,074.90	-9.83%	22,218,808,367.43	22,218,808,367.43

1. Reason for accounting policy change and correction of accounting errors:

Some of the financial leasing operations conducted by Shandong Chenming Financial Leasing Co., Ltd., a subsidiary of the Company, did not comply with laws. Hence, revenue arising from such operations shall recognise as interest income and interest expense instead of revenue and operation costs. For adjustment for errors in 2017, revenue was reduced by RMB379,290,284.15, while finance cost reduced by RMB379,290,284.15. At the same time, for adjustment for errors by the Company in 2016, revenue was reduced by RMB340,195,777.53, while finance cost reduced by RMB340,195,777.53. For adjustment for errors in 2015, revenue was reduced by RMB49,262,640.70, while finance cost reduced by RMB49,262,640.70. As such errors are items under income statement, opening retained profit will not be affected.

The Resolution on Corrections on Accounting Errors and Retrospective Restatement was passed at the twelfth meeting of the eighth session of the Board and the thirteenth meeting of the eighth session of the Supervisory Board to correct the accounting errors and make retrospective restatement.

- Data specification for basic earnings per share, diluted earnings per share, and rate of return on weighted average net assets: The net profit attributable to shareholders of the Company does not exclude the effect of the interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments and the effect of the dividends on preference shares under other equity instruments that have been considered and approved for distribution. When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on perpetual bonds of RMB347,140,000 and the dividends on preference shares of RMB679,141,006.88 during the reporting period are deducted.
- Pursuant to the proposed profit distribution plan for 2017 approved at the 2017 annual general meeting of the Company, based on the total ordinary share capital of 1,936,405,467 shares as at the end of 2017, a cash dividend of RMB6 (tax inclusive) per 10 shares was distributed to ordinary shareholders; and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held was distributed to ordinary shareholders. The Company's share capital increased by 968,202,733 shares. The earnings per share for the same period last year were also adjusted accordingly.

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			
	Q1	Q2	Q3	Q4
Revenue	7,241,811,895.12	8,309,522,144.77	7,941,434,778.16	5,382,987,345.51
Net profit attributable to shareholders of the Company	782,500,357.98	1,002,130,667.33	696,526,748.13	28,671,085.03
Net profit after extraordinary gains or losses attributable to shareholders of the Company	733,118,818.26	804,777,947.18	645,794,426.61	-229,991,342.31
Net cash flows from operating activities	1,267,680,953.19	3,477,356,967.72	4,328,323,926.68	5,026,340,039.45

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 paragraph 19 of appendix 16 of the Hong Kong Listing Rules

Unit: RMB'0,000

	For the year ended 31 December							
	2018	2017		2016		2015		2014
		Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	
Revenue	2,887,576	2,985,174	2,947,245	2,290,711	2,256,692	2,024,191	2,019,264	1,910,168
Profit before tax	320,632	453,648	453,648	258,317	258,317	141,017	141,017	56,101
Tax	64,158	77,752	77,752	56,056	62,597	43,224	36,683	10,770
Profit for the current period attributable to shareholders of the Company	250,983	376,933	376,933	206,399	199,858	102,122	108,663	50,520
Minority interests	5,491	-1,036	-1,036	-4,138	-4,138	-4,329	-4,329	-5,190
Basic earnings per share (RMB/share)	0.51	1.13	1.13	0.99	0.95	0.5	0.53	0.26
Rate of return on weighted average net assets (%)	8.51%	15.80%	15.80%	9.59%	9.23%	6.73%	7.17%	3.62%

Unit: RMB'0,000

	For the year ended 31 December							
	2018	2017		2016		2015		2014
		Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	
Total assets	10,531,873	10,562,510	10,562,510	8,228,535	8,228,535	7,796,170	7,796,116	5,682,203
Total liabilities	7,944,704	7,535,092	7,535,092	5,972,050	5,972,050	6,070,277	6,063,736	4,247,396
Minority interests	82,296	249,565	249,565	34,605	34,605	38,743	38,743	43,073
Equity attributable to shareholders of the Company	2,504,873	2,777,853	2,777,853	2,221,881	2,221,881	1,687,149	1,693,690	1,391,734
Net current assets (liabilities)	-1,344,718	-783,090	-783,090	-1,094,182	-1,094,182	-1,347,029	-1,340,488	-452,549
Total assets less current liabilities	4,390,405	4,837,646	4,837,646	3,557,671	3,557,671	2,932,756	2,939,242	2,872,637

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

√ Applicable □ Not applicable

Unit: RMB

Item	Amount for 2018	Amount for 2017	Amount for 2016	Explanation
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	17,149,722.72	65,853,273.77	-1,536,454.18	
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	535,691,291.26	392,774,230.02	472,476,962.83	
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		143,867,008.14		
Profit or loss from debt restructuring		24,309.62	-90,997.90	
Gain or loss arising from contingent items unrelated to the ordinary course of business of the Company		-325,259,082.28		
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading and financial liabilities held for trading, as well as investment gains from disposal of financial assets held for trading and financial liabilities held for trading and available-for-sale financial assets	61,750,000.00	94,000,000.00		
Gain or loss on external entrusted loans		13,312,368.97	87,608,490.56	
Gain or loss from changes in fair value of investment properties subsequently measured at fair value	-21,464,400.65	-21,000,042.33	-20,084,425.90	
Other non-operating income and expenses other than the above items	23,291,720.22	33,659,216.99	10,022,635.89	
Less: Effect of income tax	52,960,460.82	50,196,013.15	92,004,074.27	
Effect of minority interests (after tax)	7,328,864.01	3,488,835.77	3,939,014.00	
Total	556,129,008.73	343,546,433.98	452,453,123.03	—

II Company Profile and Key Financial Indicators

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 2018. On behalf of the Board, I express my sincere gratitude to all shareholders for their concern and support rendered to the Company.

During the reporting period, facing the tightening state financial policies, the effects of the US-China trade war and the downward pressure of paper prices, the Company, aiming at “developing into an enterprise with hundreds of billions in value and forging Chenming into a centennial brand”, committed itself to “team building, management enhancement, outstanding business performance and good results”. The Company overcome all difficulties and mitigated the risks by using every means with strong determination, and achieved satisfying results.

I. Results of Operations

In 2018, the Company completed the production of machine-made paper of 4.57 million tonnes with sales of 4.32 million tonnes and achieved revenue of RMB28,876 million, a year-on-year decrease of 2.02%. Total profit and net profit attributable to equity holders of the Company were RMB3,206 million and RMB2,510 million respectively, down by 29.32% and 33.41% from the prior year. The net cash flow from operating activities amounted to RMB14,100 million, a year-on-year increase of 592 times. The net cash flow from operatiy activities amounted to RMB14,100 million, a year-no-year increase of 592 times. The Company's total assets amounted to RMB105,319 million.

II. Corporate Governance

During the reporting period, the Company regulated its operation under the requirements of the Companies Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the related regulations 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 status of the Company's corporate governance was substantially in compliance with the requirements and requirements of the regulatory documents such as the 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. The Company improved its corporate governance system in a timely manner and amended and improved the amended management systems including the Rules of Procedures for General Meetings, the Rules of Procedures for Board Meetings, the Rules of Procedures for Supervisory Committee Meetings and the Articles of Association in accordance with the regulatory requirements.

Strict enforcement of relevant internal control systems has promoted a regulated operation and healthy development of the Company, thus protecting the legitimate rights and interests of our investors. The overall status of corporate governance is in compliance with the requirements of the China Securities Regulatory Commission. As the Company's development strives forward, its 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. The audited consolidated net profit attributable to shareholders of the Company for 2018 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB2,509,828,858.47. When deducting the interest on perpetual bonds of RMB347,140,000.00 and the fixed dividend on preference shares of RMB214,425,000.00 for 2018, the distributable profit realised for 2018 amounted to RMB1,948,263,858.47. In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, the proposed profit distribution plan of the Company for 2018 is as follows:

Based on the total ordinary share capital of 2,904,608,200 shares and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2018, a cash dividend of RMB2.4 (tax inclusive) per 10 shares will be distributed to holders of ordinary shares; a cash dividend of RMB2.4 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares. No bonus shares will be issued and no capitalisation issue will be made out of the reserves. A cash dividend of RMB697,105,968 will be distributed to holders of ordinary shares and a variable cash dividend of RMB279,069,767.52 will be distributed to holders of preference shares. In other words, a cash dividend of RMB6.20 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

IV. Future Development

The structure of paper making materials in China continues to optimise with a gradual increase in the proportion of wood pulp. In 2018, the structure of paper making materials in PRC was 63% waste paper, 33% wood pulp and 4% non-wood pulp materials, which basically met the production needs based on the current product structure. From 2008 to 2017, the proportion of waste paper increased by 2.4 percentage point, while the consumption proportion of wood pulp increased by 9.3 percentage point. Due to factors such as quality and environmental protection, the use of non-wood pulp materials in production gradually decreased, down by 11.7 percentage point from 2008 to 2017. In the long run, raw materials will always be a major constraint for the paper making industry. Ever since the ban on taking in certain international waste, the import of waste paper fell to 17.06 million tonnes in 2018, down by 33.8% year on year, while domestic waste paper recycling continued to rise. The increase in consumption proportion of wood pulp was mainly supported by imports, which gave companies with raw material resources a competitive advantage. As the Company's new chemical wood pulp projects gradually commence operation, the Company's self-sufficiency rate in wood pulp will be further enhanced, which will reduce production cost significantly, enhance the core competitiveness of the Company, and provide strong support and assurance for the Company's future development.

III Chairman's Report

In addition, environmental protection policies have been issued intensively during the recent years, which further phased out outdated production capacity, and significantly increased sectoral concentration. The paper making industry in China has been increasingly concentrated since 2010, in particular, the number of PRC paper making and paper product companies with a designated size dropped from 7,213 in 2013 to 6,681 in 2017. The elimination of outdated production capacity provides scope for concentration among leading enterprises. With strong financial strength, advanced production equipment and large-scale production advantages, large paper making enterprises in the industry continues to increase entry barriers and enjoy huge profits from the industry's new profit cycle. The industry will continue to boom.

The Company will adhere to the main theme of emphasising 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, the Company, aiming at "developing into an enterprise with hundreds of billions in value and forging Chenming into a centennial brand", will further reorganise methodology and restructure, while comprehensively enhancing quality, efficiency, management level, technology application, sense of happiness and brand image, pushing the Company to be stronger, better and greater, with a view to becoming a globally competitive world-class enterprise.

Chen Hongguo
Chairman

29 March 2019

IV Business Overview

I. Principal activities of the Company during the Reporting Period

Whether the Company needs to comply with the disclosure requirements of specific industries

No

(I) Principal activities of the Company during the reporting period

The Company is a large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, mining, forestry, logistics and construction materials. The Company is the only listed company with A shares, B shares and H shares in China. It is among the top 100 listed companies in China and the top 10 star enterprises in China, and is rated as one of the 50 most competitive blue chip companies in China. It has been honoured over 200 titles above the provincial level including the China May 1st Labour Prize, the Top 10 Best Light Industry Enterprises in China, Outstanding Contribution Prize in Business Administration in China and the National Spiritual Civilisation Advanced Unit. Its key indicators in respect of business and economic efficiency have been in a leading position in the industry in China for over 20 consecutive years. The machine-made paper business is the principal activity and the major source of revenue and profit of the Company. During the reporting period, there was no significant change in the principal activity of the Company.

Recently, the Company has committed itself to implementing the “forestry, pulp and paper integration” strategy, introduced world-leading pulp production and paper making technology, and completed the largest integrated forestry, pulp and paper project with the most advanced technology and equipment in the world. The Company is the enterprise that offers the widest product range in the paper making industry, and its five largest product series include high-end offset paper, white paper board, coated paper, light weight coated paper, household paper, electrostatic copy paper and thermal paper, glassine paper, with each major product ranking among the best in terms of market share.

The Company has scientific research institutions including the national enterprise technology centre, the postdoctoral working station as well as state certified CNAS pulp and paper testing centre and has obtained over 210 national patents including 17 patents for invention, with 7 products selected as national new products and 35 products filling the gap in China. The Company has obtained 21 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 26 provincial technological innovation projects. The Company has pioneered to obtain the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification among its industry peers.

IV Business Overview

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

(II) General information of the industries where the Company operated in during the reporting period

As an important basic raw material industry, the paper making industry plays an important role in the national economy, and is related to, among others, the economy, culture, production and national defence of a country. Its products are used in various sectors including culture, education, technology and the national economy. According to the data from the National Bureau of Statistics, in 2018, the machine-made paper and paper board production volume in China was 116,606,000 tonnes, representing year-on-year growth of -1.5%. The accumulated production volume shifted to negative growth since June 2018. Total revenue of the paper making industry throughout the year amounted to RMB1.3 trillion, representing year-on-year growth of 8.3%. The sectoral concentration in the paper making industry was significantly higher. However, due to the factors such as the rise in raw material prices and more stringent environmental protection policies, in 2018, net profit of the paper making industry decreased by RMB7.1 billion to RMB76.6 billion, while 15% of companies in the industry made loss, and the majority of them were small and medium-sized enterprises primarily suffering from, among others, ageing of production equipment and difficulties in working capital turnover.

The new production capacity in the industry was put into operation slowly, and the effects of the tightening of the supply side gradually loomed large. Unlike the upward cycle in the paper making industry in the period from 2009-2011 when great investments were made in production capacity formation, the year-on-year growth rate of cumulative completed fixed asset investment in the industry was maintained within 10% in 2017 since the rise in paper prices, while the year-on-year growth of completed fixed asset investment in the industry was 5.1% in 2018. The paper making industry was subject to higher environmental protection standards as the State stressed the importance of “clear waters and green hills”. The measures such as environmental protection inspections and the licensing system for pollutant discharge reflected the development trend in respect of more stringent environmental protection in the industry. The environmental protection costs in the industry increased significantly, and the pressure on the cost side made some middle and small-sized enterprises with outdated production capacity exit the market, and the tightening of the supply side continued to make the sectoral concentration higher.

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Equity	During the reporting period, the Company invested in the equity interest of Weifang Xingxing United Chemical Co., Ltd. It acquired 14.2742% equity interest in Wuhan Chenming, 55% equity interest in Shanghai Hongtai, and 49% equity interest in Guangdong Huirui. It disposed of 50% equity interest in Guangdong Dejun, 30% equity interest in Xuchang Chenming and 40% equity interest in Wuhan Wan Xing Real Estate.
Fixed assets	During the reporting period, the Financial Leasing Company changed its overall operating strategy by continuously reducing the scale of the financial leasing business.
Construction in progress	During the reporting period, continued investment was made in the Huanggang Chenming chemical pulp project, the Shouguang Headquarters newsprint paper-for-cultural paper project, and the Shouguang Meilun 510,000 tonne high-end cultural paper project and chemical pulp project.

2. Major Assets Overseas

Applicable Not applicable

IV Business Overview

III. Analysis of Core Competitiveness

Whether the Company needs to comply with the disclosure requirements of specific industries

No

The Company is a leading player in the paper making industry of China. After innovation and development for more than half a century, it has developed into a large conglomerate principally engaging in pulp production and paper making with synergistic development in finance, mining, forestry, logistics and construction materials. It is also the first company in the paper making industry to own a financial company, as well as the only listed company in China with three types of shares in issue, namely A shares, B shares and H shares. Compared with other enterprises in the industry, the Company has the following advantages:

1. Advantages of forestry-pulp-paper integration

Since initiating the forestry, pulp and paper integration strategic layout in 2001, the Company has enjoyed a high wood pulp self-sufficiency rate in the domestic paper making industry. As at the end of December 2018, the Company could produce 3,280,000 tonnes of wood pulp on its own with respect to the materials. The chemical pulp project of Huanggang Chenming with annual pulp production capacity of 300,000 tonnes commenced operation in November 2018. The chemical wood pulp project of Shouguang Meilun is going to commence operation in the near future. The operations of these projects will further enhance the self-sufficiency rate with respect to wood pulp, relieving the imbalanced supply and demand for the raw materials of wood pulp, and reducing our production cost.

Self-produced pulp enjoys significant cost advantage over purchased wood pulp, which enables the gross profit of the Company's paper products to consistently rank among the top of the industry; on the other hand, the price of wood chips, the raw material for pulp making, is relatively stable. Therefore, the procurement advantage of bulk supplies and the application of ancillary logistics services have significantly reduced the logistics and transportation costs of raw material and finished products, considerably increasing the Company's cost advantage and quality stability.

2. Scale advantages

After years of development, the Company, being a leading player in the paper making industry in China, has achieved annual pulp and paper production capacity of over 11 million tonnes and is capable to compete with international paper making enterprises in scale. The large-scale centralised production and operation model has provided the Company with obvious economic benefits. The Company also has strong market influence over raw material procurement, product pricing and industry policymaking.

3. Product advantages

The Company has implemented the "forestry, pulp and paper integration" strategy, introduced world-leading pulp and paper production technology, and set up the largest integrated forestry, pulp and paper project with the most advanced technology in the world. The Company is the enterprise that offers the widest product range in the paper making industry, and its five largest product series include high-end offset paper, white paper board, coated paper, light weight coated paper, household paper, electrostatic copy paper and thermal paper, glassine paper, with each major product ranking among the best in terms of market share.

IV Business Overview

III. Analysis of Core Competitiveness (Cont'd)

4. Advantages in technical equipment

Currently, the Company has the largest integrated forestry, pulp and paper project with the most advanced technology in the world and dozens of pulp and paper production lines of international advanced standards. The Company's overall technical equipment has reached the advanced international level. The major production equipment has been imported from internationally renowned manufacturers, including Valmet, Ahlstrom and Metso of Finland, Voith of Germany and TBC of the United States.

The technical equipment used by the Company generally reflects the characteristics of being technology-intensive and the integration of mechanical and electrical in the paper making industry nowadays. The degassing technology, wet end chemical technology, intelligent sheet lateral control technology, coating preparation technology, free-jet coating technology, multi-nip pressure balanced calender technology and the technical processes independently developed by the Company of the pulp systems have all reached the international advanced level.

5. Advantages in research and innovation and new product development

Shouguang Headquarters, Zhanjiang Chenming, Shouguang Meilun, Jiangxi Chenming, Jilin Chenming and Haiming Mining are a high and new-technology enterprises and give full play to their strong research capability. Supported by the national enterprise technology centre and the post-doctoral working station, the Company has established a comprehensive intellectual property system and put more and more efforts in technical innovation and scientific research and development to develop new products with high technology contents and high added value as well as proprietary technologies. Meanwhile, the technology centre of the Company has actively engaged in technical cooperation with schools, research institutions and international advanced enterprises. The Company has obtained over 210 national patents including 18 patents for invention and 7 products selected as national new products. The Company participated in the formulation of 5 national standards and was awarded honours including "China Patent Shandong Star Enterprise", becoming the "green engine" of the transformation and upgrading in the paper making industry and leading the direction of the latest and most advanced technology in the paper making industry in China.

6. Funding advantages

The paper making industry is a capital-intensive industry, and funding is one of the most important factors in 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.

7. Team advantages

The key management members and the core personnel of the Company remain stable. In the business development of the Company, an internal corporate culture developed by the stable core staff team favourable to the growth of the Company consolidates the management experience specific to the industry, thus resulting in a team advantage blended with management and culture. Meanwhile, the Company has attracted experienced professionals with financial, legal, financial management backgrounds through its advanced management philosophy and ample room for development. The high quality and professional team secures the sustainable development of the Company with a solid supply of talents.

IV Business Overview

III. Analysis of Core Competitiveness *(Cont'd)*

8. Advantages in environmental governance capacity

In recent years, the Company and its subsidiaries have constructed the pollution treatment facilities including the alkali recovery system, middle water treatment system, middle water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental indicators of the Company rank high in the country and in the world. Besides, the national policy of eliminating outdated production capacity will facilitate the development of the paper making industry while the replenishment and replacement of additional production capacity will bring new blood and momentum into the paper making industry, favouring industry concentration to establish a sound industry cycle.

V Discussion and Analysis of Operations

I. Overview

During the reporting period, facing the tightening up of national financial policies, the effects of the US-China trade war and the downward pressure of paper prices, the Company, aiming at “developing into an enterprise with hundreds of billions in value and forging Chenming into a centennial brand”, committed itself to “team building, management enhancement, outstanding business performance and good results”. Having firmly establishing and constantly implementing its new management philosophy, Chenming completed various works on maintaining stable operation, promoting growth, adjusting structure, preventing risk exposures and formulating favourable policies for employees, and achieved satisfying results.

In 2018, the Company completed the production of machine-made paper of 4.57 million tonnes with sales of 4.32 million tonnes and achieved revenue of RMB28,876 million, a year-on-year decrease of 2.02%. Total profit and net profit attributable to equity holders of the Company were RMB3,206 million and RMB2,510 million respectively, down by 29.32% and 33.41% from the prior year. The Company’s total assets amounted to RMB105,319 million. The net cash flow from operating activities amounted to RMB14,100 million, a year-on-year increase of 592 times. The total asset of the company amounted to 105,319 million. The operation and management results were mainly reflected in the following aspects:

(I) Sales management

Facing the complex and ever-changing market conditions, the sales system persistently executed the decision and planning made by the management of the Company with a pioneering attitude in spite of challenges, thus opening up an new dimension for sales. Through sales restructuring with adjustment to independent operation of seven product companies engaged in, among others, culture paper and coated paper from integrated sales, the Company greatly increased its operating efficiency. With an innovative management model, the Company established daily work and corresponding measures at each level, thus charting a clear course for employees to proceed with their tasks. By implementing the weekly meeting system, the weekly appraisal measure and a performance-driven approach, the Company stimulated employees’ diligence and determination, and enabled the sales teams to improve their work with fresh mentality.

(II) Product management

Benefiting from the strengthened basic management and adjustment in product structure, the production system in general remained stable and under control with constant improvement. The Company gained initiatives in the market through adjustment in the product structure and development of new products; reduced inventory, turnover days and operational pressure by implementing production scheduling; and shed light on the daily work direction for all levels of staff through innovative basic management with clearer instructions to and greater control over all levels of work.

V Discussion and Analysis of Operations

I. Overview *(Cont'd)*

(III) Finance and financial capital management

During the reporting period, the Company established a more rational financial business system by strengthening capital management, deepening cooperation between banks and the Company, and facilitating and implementing debt-to-equity swaps. Through strengthened capital management, the Company held regular meetings to study and formulate financing proposals, set up a steering group on financing, and stepped up its appraisal efforts, which yielded great results. Through deepening cooperation between banks and the Company, the Company established a closer relationship with banks, entered into cooperation agreements, and enjoyed quicker facility approval, which effectively improved its corporate financing environment. Through facilitating and implementing debt-to-equity swaps, the Company further optimised its asset and liability structure.

(IV) Project construction

During the reporting period, the phase I of the magnesite mining project of Haiming Mining commenced operation in January 2018, the 510,000-tonne high-end culture paper project of Shouguang Meilun commenced operation in August 2018, the 300,000-tonne chemical pulp project of Huanggang Chenming commenced operation in mid-November 2018, and the 400,000-tonne chemical pulp project of Shouguang Meilun also staged a trial run. The operation of the above projects will play a very important role in enhancing the sustainable development and achieving the strategic objectives of the Company.

(V) Corporate management

The Company fully implemented the adjustments to its organisational structure and remuneration system as planned to further enhance its functional management and the effectiveness of remuneration as incentives. The Company also proactively proceeded with the process and information-based construction to promote management reform and system upgrade. The Company further improved its management system so that there were rules to follow for the basic management. The Company focused on strengthening level management by specifying the tasks and measures to be taken at each level on a daily, weekly, monthly and annual basis, making clear the responsibilities of each position, and setting the direction for each level of work and enhancing the execution capability of the team.

V Discussion and Analysis of Operations

II. Analysis of principal operations

1. Overview

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

2. Revenue and cost

(1) Components of revenue

Unit: RMB

	2018		2017		Increase/ decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	28,875,756,163.56	100%	29,472,453,563.98	100%	-2.02%
By industry					
Machine-made paper	24,303,557,365.13	84.17%	26,280,449,337.82	89.17%	-7.52%
Financial leasing	2,202,061,690.16	7.63%	1,967,883,247.49	6.68%	11.90%
Magnesite mining	416,152,447.97	1.44%	—	—	—
Construction materials	288,669,257.79	1.00%	255,747,205.45	0.87%	12.87%
Electricity and steam	154,541,407.23	0.54%	198,073,854.15	0.67%	-21.98%
Chemicals	110,998,714.22	0.38%	109,914,856.68	0.37%	0.99%
Hotel	26,182,589.82	0.09%	24,368,815.97	0.08%	7.44%
Others	1,373,592,691.24	4.76%	636,016,246.42	2.16%	115.97%
By product					
White paper board	6,440,247,745.66	22.30%	6,906,078,714.80	23.43%	-6.75%
Duplex press paper	6,155,644,742.23	21.32%	6,368,897,144.23	21.61%	-3.35%
Coated paper	4,697,177,229.03	16.27%	5,489,860,030.01	18.63%	-14.44%
Electrostatic paper	2,404,374,935.48	8.33%	2,371,439,780.86	8.05%	1.39%
Anti-sticking raw paper	1,208,193,494.70	4.18%	1,207,953,706.05	4.10%	0.02%
Household paper	749,151,937.19	2.59%	689,570,026.52	2.34%	8.64%
Light weight coated paper	198,364,650.45	0.69%	515,092,105.82	1.75%	-61.49%
Writing paper	118,511,116.22	0.41%	275,304,569.70	0.93%	-56.95%
Other machine-made paper	2,331,891,514.17	8.07%	2,456,253,259.83	8.33%	-5.06%
Financial leasing	2,202,061,690.16	7.63%	1,967,883,247.49	6.68%	11.90%
Magnesite mining	416,152,447.97	1.44%	—	—	—
Construction materials	288,669,257.79	1.00%	109,914,856.68	0.37%	162.63%
Electricity and steam	154,541,407.23	0.54%	198,073,854.15	0.67%	-21.98%
Chemicals	110,998,714.22	0.38%	255,747,205.45	0.87%	-56.60%
Hotel	26,182,589.82	0.09%	24,368,815.97	0.08%	7.44%
Others	1,373,592,691.24	4.76%	636,016,246.42	2.16%	115.97%
By geographical segment					
Mainland China	24,560,408,181.92	85.06%	25,541,544,676.83	86.55%	-3.84%
Other countries and regions	4,315,347,981.64	14.94%	3,930,908,887.15	13.45%	9.78%

V Discussion and Analysis of Operations

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

Whether the Company needs to comply with the disclosure requirements of specific industries

No

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	24,303,557,365.13	17,849,873,914.56	26.55%	-7.52%	-4.14%	-2.59%
Financial leasing	2,202,061,690.16	167,892,149.50	92.38%	11.90%	-40.54%	6.72%
By product						
Duplex press paper	6,155,644,742.23	4,518,550,774.15	26.60%	-3.35%	-3.47%	0.09%
Coated paper	4,697,177,229.03	3,407,051,401.87	27.47%	-14.44%	-10.49%	-3.20%
White paper board	6,440,247,745.66	5,395,302,715.50	16.23%	-6.75%	13.12%	-14.71%
Electrostatic paper	2,404,374,935.48	1,440,077,827.51	40.11%	1.39%	-4.23%	3.51%
Anti-sticking						
raw paper	1,208,193,494.70	728,105,243.01	39.74%	0.02%	-8.52%	5.63%
Financial leasing	2,202,061,690.16	167,892,149.50	92.38%	11.90%	-40.54%	6.72%
By geographical segment						
Mainland China	24,560,408,181.92	15,153,938,755.30	38.30%	-3.84%	-5.94%	1.38%
Other countries and regions						
	4,315,347,981.64	4,108,074,364.17	4.80%	9.78%	13.55%	-3.16%

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

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

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

Yes No

By industry	Item	Unit	2018	2017	Increase/ decrease
Machine-made paper	Sales	'0,000 tonnes	432	496	-12.90%
	Production output	'0,000 tonnes	457	510	-10.39%
	Inventories	'0,000 tonnes	72	47	53.19%

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

Applicable Not applicable

The inventories of machine-made paper increased year on year by 53.19% mainly due to the decreased sales of machine-made paper during the reporting period.

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

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(5) Composition of operating costs

By industry

Unit: RMB

By industry	Item	2018		2017		Increase/ decrease
		Amount	% of operating costs	Amount	% of operating costs	
Machine-made paper	Raw materials	10,868,034,213.18	60.89%	11,321,010,554.29	60.80%	-4.00%
	Chemicals	2,809,021,253.78	15.74%	2,649,089,266.03	14.20%	6.04%
	Energy and power	1,969,433,608.33	11.03%	2,041,148,096.91	11.00%	-3.51%
	Depreciation	803,728,940.46	4.50%	875,140,104.87	4.70%	-8.16%
	Labour costs	252,589,989.30	1.42%	259,402,371.05	1.40%	-2.63%
	Other production costs	1,147,065,909.50	6.43%	1,474,478,932.18	7.90%	-22.21%
	Subtotal	17,849,873,914.56	100.00%	18,620,269,325.34	100.00%	-4.14%
Power and steam	Raw materials	94,793,908.60	81.90%	106,044,022.66	80.20%	-10.61%
	Depreciation	8,307,708.78	7.18%	9,800,393.22	7.40%	-15.23%
	Labour costs	3,443,963.29	2.98%	3,756,021.82	2.80%	-8.31%
	Energy and power	2,875,214.19	2.48%	2,850,799.43	2.20%	0.86%
	Chemicals	246,573.81	0.21%	345,197.70	0.30%	-28.57%
	Other production costs	6,072,545.25	5.25%	9,400,888.63	7.10%	-35.40%
	Subtotal	115,739,913.92	100.00%	132,197,323.45	100.00%	-12.45%
Construction materials	Raw materials	171,263,506.98	74.83%	151,042,972.58	72.70%	13.39%
	Energy and power	21,374,540.73	9.34%	23,009,884.02	11.10%	-7.11%
	Labour costs	14,460,145.11	6.32%	14,112,147.05	6.80%	2.47%
	Depreciation	6,626,767.96	2.90%	7,247,023.47	3.50%	-8.56%
	Other production costs	15,148,057.14	6.62%	12,319,837.64	5.90%	22.96%
	Subtotal	228,873,017.91	100.00%	207,731,864.76	100.00%	10.18%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

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

Yes No

During the year, the scope of consolidation included 4 newly established subsidiaries, namely Shandong Chenming Coated Paper Sales Co. Ltd., Chenming Paper United States Co., Ltd., Beijing Chenming Financial Leasing Co., Ltd. and Jiangxi Chenming Supply Chain Management Co., Ltd.

During the year, a company was excluded from the scope of consolidation: The Company disposed of 30% equity interest in Xuchang Chenming Paper Co. Ltd. Subsequent to the disposal, Xuchang Chenming Paper Co. Ltd., which was held as to 30% by the Company, was excluded from the scope of consolidation.

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

Applicable Not applicable

(8) Sales to major customers and major suppliers

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	2,031,261,823.95
Total sales to top 5 customers as a percentage of the total sales for the year	7.03%
Sales to top 5 customers who are related parties	0.00%

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	Customer A	555,240,686.16	1.92%
2	Customer B	400,285,052.75	1.39%
3	Customer C	373,751,814.80	1.29%
4	Customer D	354,040,200.90	1.23%
5	Customer E	347,944,069.34	1.20%
Total	—	2,031,261,823.95	7.03%

Major suppliers of the Company

Total purchases from top 5 suppliers (RMB)	4,272,763,918.65
Total purchases from top 5 suppliers as a percentage of the total purchases for the year	21.53%
Total purchases from top 5 suppliers who are related parties as a percentage	0.00%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

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

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	Supplier A	1,117,882,698.14	5.63%
2	Supplier B	987,054,232.32	4.97%
3	Supplier C	833,962,815.65	4.20%
4	Supplier D	814,300,495.13	4.10%
5	Supplier E	519,563,677.40	2.62%
Total	—	4,272,763,918.65	21.53%

3. Expenses

Unit: RMB

	2018	2017	Increase/ Decrease (%)	Reasons for material changes
Selling and distribution expenses	1,190,499,238.49	1,304,465,552.27	-8.74%	
General and administrative expenses	967,840,641.90	892,063,618.67	8.49%	
Finance expenses	2,741,486,438.03	2,117,302,131.72	29.48%	Mainly due to an increase in interest expenses.
Research and development expenditure	929,873,688.40	1,017,306,281.19	-8.59%	
Loss on impairment of asset	164,654,098.54	141,361,141.80	16.48%	

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

4. Research and development expenditure

Applicable Not applicable

The Company had been closely following the economic and market conditions in China and in the industry since 2018. Driven by customers' demand with a view to enhancing economic benefits, the Company put more efforts into technical innovation, promoted the application of new technology and new raw materials such as high-efficiency chemical and mechanical pulp technology and wet-end chemical application for paper making, and developed new technology-based products with more economic benefits. The Company was also committed to researching and developing for the purpose of product differentiation and refining. 12 R&D projects including the "technical development of mildew proof white paper board", the "technical development of high-bulk coated paper for children sketching books" and the "technical development of denaturation amylum for highly concentrated coating" were listed on the technological innovative project plans of Shandong Province for 2018. The Company also collaborated with Qilu University of Technology for Industry-University Research, producing a R&D project for "technology in the preparation of chemical mechanical pulp by co-processing hydrothermal mixed wide leaves and biologicals", which dealt with core technological challenges arising in the production process, such as the high electricity consumption of pulp grinding, the inconsistent whiteness of paper pulp and the problem of papers turning yellow easily. Ultimately, the technology was widely applied in the production of high-end white paper boards and coated papers. At the same time, our "high-bulk white paper board" and "technological development in paper for milk tea paper cups" were awarded the 2018 Excellent Product By Innovative Enterprise Technology in Shandong Province (2018年度山東省企業技術創新優秀產品) and First Prize for Outstanding Achievements (優秀成果一等獎), respectively. We also successively completed the R&D of 14 new products, including the core paper for white paper boards and paper for paper bags, which accelerated the restructuring of our product mix and facilitated the restructuring and upgrading of enterprises.

Research and development expenditure of the Company

	2018	2017	Percentage of change
R&D headcount	1,863	1,434	29.92%
Ratio of R&D personnel	12.26%	10.56%	1.70%
R&D expenditure (RMB)	929,873,688.40	1,017,306,281.19	-8.59%
R&D expenditure to revenue	3.22%	3.45%	-0.23%

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

Applicable Not applicable

Reasons for and reasonableness of the significant change of the capitalization rate of R&D expenditure

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

5. Cash flows

Unit: RMB

Item	2018	2017	Increase/ decrease (%)
Subtotal of cash inflows from operating activities	39,069,129,483.14	25,185,850,961.77	55.12%
Subtotal of cash outflows from operating activities	24,969,427,596.10	25,162,084,918.84	-0.77%
Net cash flows from operating activities	14,099,701,887.04	23,766,042.93	59,227.09%
Subtotal of cash inflows from investing activities	2,785,950,020.88	1,018,367,966.90	173.57%
Subtotal of cash outflows from investing activities	4,564,941,039.27	4,649,220,322.66	-1.81%
Net cash flows from investing activities	-1,778,991,018.39	-3,630,852,355.76	51.00%
Subtotal of cash inflows from financing activities	61,785,793,427.64	66,918,619,679.44	-7.67%
Subtotal of cash outflows from financing activities	74,638,951,528.02	62,441,482,879.29	19.53%
Net cash flows from financing activities	-12,853,158,100.38	4,477,136,800.15	-387.08%
Net increase in cash and cash equivalents	-422,850,131.94	824,547,328.84	-151.28%

Explanation on main effects of material changes

Applicable Not applicable

- (1) Net cash flows from operating activities increased by 59,227.09% as compared to the corresponding period of the prior year mainly due to the net recovery of proceeds of RMB6,191 million resulting from the continuous reduction in the scale of the financial leasing business of the Company.
- (2) Net cash flows from investing activities increased by 51% as compared to the corresponding period of the prior year mainly due to the disposal of the equity interest in Guangdong Dejun Investment Co., Ltd. by the Company.
- (3) Net cash flows from financing activities decreased by 387.08% mainly due to an increase in the repayment of borrowings during the reporting period.

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

The main reason is the fact that the net recovery of proceeds of RMB6,191 million resulting from the continuous reduction in the scale of the financial leasing business of the Company.

III. Analysis of non-principal operations

Applicable Not applicable

V Discussion and Analysis of Operations

IV. Assets and liabilities

1. Material changes of asset items

Unit: RMB

	As of the end of 2018		As of the beginning of 2018		Percentage change	Description of major changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	19,292,774,747.79	18.32%	14,443,492,461.43	13.67%	4.65%	Mainly due to the increase in deposits for the issuance of financing
Construction in progress	11,871,350,821.55	11.27%	7,683,945,044.32	7.26%	4.01%	Mainly due to the continued investment made in the Huanggang Chenming 300,000 tonne chemical pulp project, the Shouguang Headquarters newsprint paper-for-cultural paper project, and the Shouguang Meilun 400,000 tonne chemical pulp project and 510,000 tonne high-ended cultural paper project
Bills receivable	1,213,116,491.46	1.15%	4,220,231,853.56	4.00%	-2.85%	Mainly due to the decrease in the payment for goods made by bills
Other receivables	2,225,558,697.91	2.11%	538,734,656.55	0.51%	1.60%	Mainly due to the sales of some debts by the Financial Leasing Company
Non-current assets due within one year	4,007,503,281.86	3.81%	6,901,695,875.94	6.53%	-2.72%	Mainly due to the recovery of proceeds by the financial leasing business.
Bills payable	4,218,969,554.93	4.01%	1,278,395,090.71	1.21%	2.80%	Mainly due to the increased external payment made by bills by the Company
Other current liabilities	2,915,035,681.03	2.77%	10,797,248,631.76	10.22%	-7.45%	Mainly due to the repayment of the matured short-term commercial paper
Long-term payables	3,900,255,693.44	3.70%	5,550,881,435.64	5.26%	-1.56%	Mainly due to the repayment of the equipment financing due.

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profit or loss		Impairment provided during the period	Purchases during the period	Disposal during the period	Closing balance
		from change in fair value during the period	Cumulative fair value change charged to equity				
Consumable biological assets	1,756,375,954.07	-21,464,400.65	78,010,397.66	—	41,520,519.59	264,889,462.65	1,511,542,610.36
Total	1,756,375,954.07	-21,464,400.65	78,010,397.66	—	41,520,519.59	264,889,462.65	1,511,542,610.36

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

Yes No

V Discussion and Analysis of Operations

IV. Assets and liabilities (Cont'd)

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

Item	Carrying amount as at the end of the year	Reasons for such restriction
Other monetary funds	16,911,216,505.27	As deposits for bank acceptance bills, letters of credit and bank borrowings, and deposit reserves
Bills receivable	431,715,666.94	As collateral for short-term borrowings, bills payable, letters of guarantee and letters of credit
Fixed assets	8,079,811,565.53	As collateral for bank borrowings and long-term payables
Intangible assets	873,985,362.13	As collateral for bank borrowings and long-term payables
Investment properties	4,691,453,227.24	As collateral for bank borrowings
Total	30,988,182,327.11	

V. Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
6,770,571,000.00	10,071,391,442.52	-32.77%

V Discussion and Analysis of Operations

V. Investments (Cont'd)

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 period	Involvement in lawsuit	Date of disclosure (if any)	Disclosure index (if any)
Beijing Chemming Financial Leasing Co., Ltd.	Financial leasing and operation leasing	Newly established	200,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	17 May 2016 to 16 May 2018	Financial leasing	Completed	Not applicable	-1,654,500.81	No	30 January 2018	http://www.cninfo.com.cn
Shanghai Chemming Industry Co., Ltd.	Industrial investment, commercial consultation and property management	Capital increase	2,000,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	15 September 2017 to 14 September 2017	Industrial investment	Completed	Not applicable	-1,585,138.11	No	17 April 2018	http://www.cninfo.com.cn
Shandong Chemming Group Finance Co., Ltd.	Business as permitted by the China Banking Regulatory Commission pursuant to relevant laws, administrative regulations and other regulations	Capital increase	2,000,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	Long-term	Corporate financial business	Completed	Not applicable	244,038,383.55	No	27 April 2018	http://www.cninfo.com.cn
Wuhan Chemming Hanyang Paper Holdings Co., Ltd.	Production and sales of machine-made paper, paper board and paper making machinery	Acquisition of minority interest	60,896,600.00	65.21%	Self-owned funds	Aberdeen Industrial Limited, Hong Kong Dongjiang Huixin Holdings Limited, Hubei Xinhua Printing Industry Park Co., Ltd., Hubei Changjiang Publishing & Media Group Co., Ltd. and Hubei Zhijin Printing Co., Ltd.	29 June 2004 to 18 November 2018	Machine-made paper and paper making machinery	Completed	Not applicable	53,188,105.84	No	24 May 2018	http://www.cninfo.com.cn
Guangdong Huihui Investment Co., Ltd.	Industrial investment, marine engineering project investment, tourist project investment, green landscape project investment, municipal works and ancillary project investment, sales of hardware and electric materials and electrical engineering products	Acquisition of minority interest	120,600,000.00	49.00%	Self-owned funds	Zhenjiang Chemming and Shanghai Chenli Investment Co., Ltd.	Long-term	Industrial investment	Completed	Not applicable	-79,406,759.94	No	Not applicable	Not applicable
Goldtrust Futures Co., Ltd.	Broker of commodities and futures, broker of financial futures, investment consultant of futures, property management.	Acquisition	180,000,000.00	45.00%	Self-owned funds	Hunan Oil Pump Co., Ltd., Shanghai Panhou Investment Management Co., Ltd., Shanghai Jinzhi Information Technology Co., Ltd., Yingxin (Hainan) Financial Services Co., Ltd., Beijing Wuxianxinu Network Technology Co., Ltd.	Long-term	Financial futures business	Currently pending for the approval of SFO	Not applicable	Not applicable	No	12 October 2018	http://www.cninfo.com.cn
Shanghai Hongtai Real Estate Co., Ltd.	Real estate development and operation and property management	Acquisition of minority interest	2,099,074,400.00	100.00%	Self-owned funds	Shanghai Xinhuangou Real Estate Co., Ltd., Shanghai Ximin Industrial Co., Ltd.	31 January 1994 to 30 January 2014	Office, properties	Completed	Not applicable	-173,123,654.50	No	21 December 2018	http://www.cninfo.com.cn
Weitang Xingqing United Chemical Co., Ltd.	Production and sales hydrogen peroxide	Acquisition	110,000,000.00	50%	Self-owned funds	Shouguang Chemming and Shandong Hexin Chemical Industry Group Co., Ltd.	Long-term	Production of chemical products	Completed	Not applicable	-746,762.88	No	Not applicable	Not applicable
Total	-	-	6,770,571,000.00	-	-	-	-	-	-	-	40,689,673.15	-	-	-

V Discussion and Analysis of Operations

V. 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 the 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	Disclosure index
510,000-tonne high-end cultural paper project of Shouguang Meilun	Self-constructed	Yes	Paper making	1,004,571,235.06	1,701,781,478.30	Self-raised and borrowings	100%	Estimated revenue of RMB780 million upon official operation of the project	-	Trial production phase	18 February 2017	http://www.cninfo.com.cn
400,000-tonne chemical pulp project of Shouguang Meilun	Self-constructed	Yes	Pulp production	1,214,814,219.34	3,016,785,495.66	Self-owned funds and borrowings	95%	Estimated total profit of approximately RMB350 million upon completion and commencing production of the project	-	Not yet completed	21 March 2014	http://www.cninfo.com.cn
Chemical pulp project of Huanggang Chenming	Self-constructed	Yes	Pulp production	1,411,690,254.49	3,605,150,078.66	Self-owned funds and borrowings	100%	Estimated revenue of RMB400 million upon official operation of the project	-	Trial production phase	2 August 2013	http://www.cninfo.com.cn
Haiming magnesite mining project	Self-constructed	Yes	Magnesite mining	21,566,889.76	486,501,551.60	Self-owned funds and borrowings	-	Estimated total profit of approximately RMB150 million upon completion and commencing production of the project	-	Not yet completed	N/A	N/A
newsprint paper-for-cultural paper project	Self-constructed	Yes	Paper making	521,228,391.31	1,426,602,125.57	Self-owned funds and borrowings	100%	-	-	Trial production phase	N/A	N/A
Total	-	-	-	4,173,870,989.96	10,236,820,730.79	-	-	-	-	-	-	-

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.

V Discussion and Analysis of Operations

V. Investments (Cont'd)

5. Use of proceeds

Applicable Not applicable

(1) General use of proceeds

Applicable Not applicable

Unit: RMB'0,000

Year	Fundraising method	Total amount of proceeds	Total amount of utilised proceeds during the current period	Total amount of accumulated utilised proceeds	Total proceeds with change in use during the reporting period	Total amount of accumulated proceeds with change in use	Proportion of total amount of accumulated proceeds with change in use	Total amount of unutilised proceeds	Use and status of unutilised proceeds	Total amount of idle proceeds for over 2 years
2018	Public offering of corporate bonds	89,865.00	89,865.00	89,865.00	0	0	0.00%	0	Not applicable	0
Total	—	89,865.00	89,865.00	89,865.00	0	0	0.00%	0		0

Description of the general use of proceeds

On 13 March 2017, the Company received the Approval (Zheng Jian Xu Ke [2017] No. 342) from the China Securities Regulatory Commission for the public offering of corporate bonds of not more than RMB4.0 billion. On 27 March 2018, the Company issued the first tranche of corporate bonds for 2018 to qualified investors, with total proceeds raised of RMB900 million. After deducting the issuance expense paid of RMB1.35 million, the net proceeds raised of RMB898.65 million were deposited to the designated account for the proceeds of corporate bonds.

V Discussion and Analysis of Operations

V. Investments (Cont'd)

5. Use of proceeds (Cont'd)

(2) Commitment of proceeds

√ Applicable □ Not applicable

Unit: RMB'0,000

Committed investment project and excess proceeds	Change in project (including Partial change)	Total Committed investment of proceeds	Total investment After adjustment ⁽¹⁾	Invested amount during the reporting period	Accumulated invested amount as at the end of the period ⁽²⁾	Investment progress as at the end of the Period ^{(3)=(2)/(1)}	The date when the project reaches the working condition for its intended use	Return realised during the reporting period	Expected return being achieved or not	Significant change in project
Committed investment project										
Repayment of bank loans	No	89,865.00	89,865.00	89,865.00	89,865.00	100.0%	11 April 2018	Not applicable	Not applicable	No
Subtotal of committed investment project	—	89,865.00	89,865.00	89,865.00	89,865.00	100.0%	—	—	—	—
Amount, use and utilisation of excess proceeds	Not applicable									
Change in place of implementation of investment project of proceeds	Not applicable									
Adjustment on implementation method of investment project of proceeds	Nil									
Pre-investment and swap of investment project of proceeds	Nil									
Temporary replenishment of liquidity by idle proceeds	Nil									
Balance and reason for proceeds arising from project implementation	Not applicable									
Use and direction of unused proceeds	Not applicable									
Use of proceeds and problems disclosed or other issues	Nil									

V Discussion and Analysis of Operations

V. Investments (Cont'd)

5. Use of proceeds (Cont'd)

(3) Change in use of proceeds

Applicable Not applicable

The Company did not have any change in use of proceeds during the reporting period.

VI. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

2. Disposal of material equity interest

Applicable Not applicable

Counterparty(ies)	Equity interest disposed of	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	Net profit contribution to the Company on equity disposal as a percentage of total net profit (%)	Pricing basis of disposal of equity interest	Related party transaction or not	Relationship with counterparty (ies)	Relevant asset title fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.	Guangdong Dejun Investment Co., Ltd.	16 April 2018	263,404.14	5,249	The disposal can effectively increase the Company's cash flow, which enables the Company to concentrate on capital advantages, better support the development of competitive businesses and further enhance business performance.	2.08%	Fair value	No	Not related party	Yes	Disposal completed	17 April 2018	http://www.cninfo.com.cn
Hubei Zhesang Wan Xing Investment Co., Ltd.	Wuhan Wan Xing Real Estate Co., Ltd.	7 August 2018	13,160	7,968	The disposal is beneficial for the integration of the Company's resources, and optimises the asset structure of the Company. Moreover, with a focus on the competitive principal businesses, our quality and efficiency are improved.	3.16%	Fair value	No	Not a related party	Yes	Disposal completed	9 August 2018	http://www.cninfo.com.cn

V Discussion and Analysis of Operations

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 company	Type of company	Principal activities	Registered capita	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of pulp, duplex press paper, and electrostatic paper	5,550,000,000.00	20,285,814,497.00	8,727,359,466.34	9,475,655,599.04	1,553,668,126.15	1,353,265,077.60
Shandong Chenming Financial Leasing Co., Ltd.	Subsidiary	Financial leasing	5,872,000,000.00	23,062,213,738.47	8,772,992,919.82	1,534,655,651.56	723,241,257.95	601,754,363.06
Qingdao Chenming Nonghai Investment Co., Ltd.	Subsidiary	Financial leasing	5,000,000,000.00	5,617,563,685.10	5,573,308,855.85	509,389,703.20	469,221,914.25	365,295,063.11

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
Beijing Chenming Financial Leasing Co., Ltd.	Newly established	Net profit decreased by RMB1.65 million.
Shandong Chenming Coated Paper Sales Co. Ltd.	Newly established	No effect
Jiangxi Chenming Supply Chain Management Co., Ltd.	Newly established	No effect
Chenming Paper United States Co., Ltd.	Newly established	Net profit decreased by RMB43,000.
Shanghai Hongtai Real Estate Co., Ltd.	Acquisition of 55% equity interest held by minority shareholders	Net profit decreased by RMB173.12 million.
Xuchang Chenming Paper Co. Ltd.	Transfer of 30% equity interest	Net profit decreased by RMB15.50 million.
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Acquisition of equity interest held by minority shareholders	No effect
Guangdong Dejun Investment Co., Ltd.	Transfer of 50% equity interest	Net profit increased by RMB52.49 million.
Wuhan Wan Xing Real Estate Co., Ltd.	Transfer of 40% equity interest	Net profit increased by RMB79.68 million.

Particulars of major subsidiaries and investees

- For the integrated forestry, pulp and paper project of Zhanjiang Chenming, the gross profit of major products remained at a high level, showing strong profitability.
- The Financial Leasing Company strengthened its business management with stable profitability.

V Discussion and Analysis of Operations

VIII. Structured entities controlled by the Company

Applicable Not applicable

IX. Outlook on the future development of the Company

(I) Competition overview and development trend of the industry

China is the world's largest producer of paper and board, as well as the world's largest consumer. Despite the strong overall demand, the concentration of the domestic paper making industry is still significantly lower than that of developed countries in Europe and the United States. With reference to the historical development and current situation of the paper making industry in developed markets such as Europe and the United States, domestic paper making enterprises distribute dividends on a larger scale, however, there is an obvious shortage in the supply of pulp, a raw material, which prevented the rise of paper making behemoth. In 2017, the country produced 79,470,000,000 tonnes of pulp in total, representing a slight increase of 0.30% year on year. However, there is still a big gap compared with the United States, and the supply of raw materials is still highly dependent on overseas suppliers. With the successive launch of new chemical wood pulp projects by Huanggang Chenming and Shouguang Meilun of the Company, the Company's self-sufficiency rate of wood pulp will be further increased, which will reduce production cost significantly, address the constraints of raw materials, enhance the core competitiveness of the Company, and provide strong support and safeguarding for the Company's future development.

The reform of the supply-side prompted the market to phase out outdated production capacity and accelerated the elimination of redundant production capacity. With the implementation of more stringent environmental protection measures, the licensing system for pollutant discharge and the external waste control policy, the pollution control of the paper making industry is strengthened from various aspects. It is expected that the relevant policies on the supply side of the industry will remain tight in 2019. Due to continuous investments in environmental protection and advantages in raw material cost and production scale, large factories will become more competitive, which can promote the centralised management and scale of enterprises, and accelerate the concentration of production capacity.

(II) Development strategy

The Company will adhere to the main theme of emphasising 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, the Company will comprehensively improve its quality and efficiency, management level, technology application, sense of happiness and brand image through the 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.

Transformation and upgrade strategy: The Company will comprehensively improve the industrial structure and regional layout; emphasise on the development of the five leading businesses, namely pulp production, paper making, fibre yarn, forestry, mining and so on; and construct an efficient industrial system with synergies.

Green development strategy: Remaining steadfast in the operation philosophy of "forestry-pulp-paper-fibre-yarn integration"; with technical progress, advanced equipment and strict and prudent management, the Company will promote clean production and recycling economy, become a low-energy consumption and environmentally-friendly enterprise. The Company seeks for development while protecting the environment and maintains higher environmental protection standards while seeking for scientific development, thus achieving a "win-win" situation in economic development and environmental protection.

International operation strategy: The Company, based in China with a global reach, will follow the national strategy of the "Belt and Road" initiative, accelerate its pace of "going global", reinforce global exchanges and communication and gradually expand its overseas market.

V Discussion and Analysis of Operations

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

(II) Development strategy (Cont'd)

Operational excellence strategy: By adhering to the management policy of “efficient management, structural adjustment, market development and risk control”, the Company will constantly heighten its whole process management including production and operation, marketing, financial costs and project construction, effectively integrate its systems and resources, and strive to upgrade the Company’s management capacity and profitability.

Strengthening the Company through talent strategy: By improving talent development, introduction, application and incentive mechanisms, and nurturing high-end, versatile, innovative and international talents, Chenming will become one of the world-class companies with the highest growth rate.

Harmonious development strategy: By comprehensively enhancing enterprise culture building, caring for the employees, acting on its corporate social responsibilities, and elevating its integrated value-creating ability in terms of economy, society and environment, Chenming will create a positive corporate image for itself and strive to become a harmonious enterprise.

(III) Operation plans for 2019

In 2019, the main goal of the Company is thorough adherence to the guiding principle of work of “efficient management, structural adjustment, market development and risk control”, and fully carrying forward its corporate style of “tackling problems once discovered”. The Company will strive to improve corporate management while emphasizing economic benefits, and facilitate quality development of the Company. The specific measures are as follows:

1. Determined to make changes in corporate management

The corporate management centre will change its course, and strictly implement the various measures determined by the Company and place focus on assessment, so that the effects of corporate management can be seen.

- ① Diligently implement the weekly meetings. The corporate management centre shall act as the coordinator in organizing and convening weekly meetings of each department on a timely basis, and shall prepare the meeting minutes. Major issues shall be reported on a timely basis, and the corporate management department shall address opinions and issues raised by each department in an effective manner.
- ② Give play to the functions of the department, clarify the scope of inspection of each department, conduct weekly inspections, propose rectification plan for each department’s work, and implement responsibility assessment.
- ③ Further implement the new ways of innovative management, so as to ensure its realisation in each unit. Thoroughly implement specific measures and work measures for each level to be strictly implemented. Change from monthly assessment to weekly assessment to ensure the effectiveness of the above.

V Discussion and Analysis of Operations

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

(III) Operation plans for 2019 (Cont'd)

2. Determined to achieve breakthrough in operation and management

- ① Enhance and increase the coping strength in operation and management. Keep abreast of market information at all times to learn, study and practice good practices by competitors, and further establish an effective mechanism to improve market response. Strengthen internal control by monitoring the implementation of the daily major measures by each level with strict examination and assessment. Weekly meetings shall be held by each level in an effective manner to study and resolve key and difficult issues at work. We will also keep a firm grasp of key operation indicators and focus on such, so as to ensure that all indicators are comprehensively improved.
- ② Increase the marketing capability of overseas business to further improve the overseas marketing structure. Establish a number of overseas branches, and increase the number of sales staff and overseas shipments. The performance of these events shall be incorporated into the performance appraisal of relevant personnel.
- ③ Strengthen agent management by walking in their shoes and supporting their expansion and enhancements. We will elevate the level of cooperation and enhance agent cooperation comprehensively on an overall scale.

3. Determined to achieve remarkable results in production management

Against the severe market conditions in 2019, the production system will be market-oriented, exerting substantial efforts in adjusting the product mix and creating positive conditions for operations.

- ① Determined to restructure. The production system shall render full support to the operations in adjusting the product mix, including the increment of developed products and the continuous R&D of other products with high efficiency, so as to fulfil established output targets. We will increase the output of various high-margin products, such as export paper, highly mechanical pulp paper, unbleached paper and high-grade specialty paper to enhance quality and efficiency.
- ② Determined to implement basic management. We will comprehensively implement the work measures of each level, as formulated by the Group, and conduct weekly evaluation and assessment. We will also improve the training materials at each level. Training will be organised and taught by the main responsible person, and assessment and evaluation will be strictly implemented to truly enhance the management standards practical skills at all levels. We will reorganise and amend the production management system and process so that they will be simple, effective and easy to operate. We will also comprehensively check and improve the machine-controlled alarms in the production process, increase the level of automation in production scheduling, management and operation, in order to standardise, manage and enhance efficiency.
- ③ Strict with overall staffing planning. Following the standard of leading international peers, we enhance the level of automation and informationisation of equipment and strengthen the skills of employee, so as to reach the targets of our overall staffing planning.
- ④ Focus on new projects that are commencing operations. Huanggang Chenming should quickly become a new source of profit growth for the Company. The Shouguang Meilun chemical pulp project is under careful planning for trial operation, in order to achieve the target output and efficiency as soon as possible. Shouguang Meilun shall take leverage on the cost advantages of self-produced pulp to enhance economic benefits. Haiming Mining shall further enhance project management to ensure that phase II of the project is fully completed and put into operation, which will accelerate the company's operation and management standard and improve profitability.

V Discussion and Analysis of Operations

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

(III) Operation plans for 2019 (Cont'd)

4. **Determined to enhance financial management to achieve steady operation.**
 - ① Strengthen financing management and reduce financial costs. We will promote financing for debt reduction, so as to reduce the gearing ratio and enhance the Company's risk aversion ability. We will also deepen cooperation between banks and enterprises, and focus on increasing cooperation with state-owned banks and policy banks, so as to increase credit limit and reduce financial expenses.
 - ② Promote financial operation to achieve quality and efficiency enhancement. The Finance Company will increase fund settlements internally and increase credit limit to peers externally, so as to improve settlement rate of funds.

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

The Company has established itself as a large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, mining, forestry, logistics and construction materials. With the further development of the existing principal businesses of the Company, the future capital requirements of the Company will be: (1) investment in the existing projects under construction; (2) consistent investment in the existing production facilities because of technological transformation or production expansion; and (3) business expansion and general working capital requirements. As the demand for capital has been growing for the Company's production and operation, there is a strong need to replenish the working capital to enhance the Company's capability for sustainable operations.

In order to meet the business development requirements of the Company and further extend and expand the industry chain, the Company will establish diversified financing channels and increase the proportion of direct financing through diversified financing channels such as corporate bonds, perpetual bonds, short-term commercial paper, cross-border financing and introduction of third-party investors so as to enrich its financing channels and improve the debt structure of the Company and provide stable financial support for the operation and development of the Company.

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

1. Policy risk

Paper making industry is a basic raw materials industry and its growth has been faster than the average growth of the national economy in recent years. However, the paper making industry's profitability is closely correlated to the economic cycle, and the industry is therefore a cyclical industry fluctuating with the national macroeconomic performance, which will further affect the profitability of the Company.

Hence, following the principles of scientific development and quality and efficiency enhancement, the Company will comprehensively improve its industrial structure and regional layout through incorporation of smart technology into its industrial activities. The Company will emphasise on the development of leading businesses including pulp production and paper making, so as to construct an efficient industrial system with synergies.

V Discussion and Analysis of Operations

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)

2. Market fluctuation risk

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. Leveraging on the strength and capital accumulated over the years, domestic enterprises have further expanded their size and improved their technological levels and product quality. Well-known paper making enterprises overseas have also directly set up production bases in China through sole proprietorship or joint ventures so as to participate in the domestic market competition by virtue of their advantages in size and technology. Besides, tariff reduction on China after accession to the WTO has also further intensified the impact on the international market.

Hence, the Company will strive to enhance the quality of paper products and achieve the target of establishing a layout for high-end paper industry so as to increase the proportion of high-end paper. In recent years, the Company has been expanding its business size while optimising its product mix and has set up a few production lines for high-end paper. A diversified and high-end product mix enables the Company to spread market risk and strengthen the resistance towards market volatility. Besides, as high-end products have better profit margins, the Company can increase the proportion of high-end products through consistent improvement in product mix, thereby enhancing its profitability and comprehensive competitiveness.

3. Risk of overcapacity and slowdown in demand

Overcapacity is a prominent problem in the paper making and paper product industry in China such that there has been fierce competition among enterprises. Since 2013, affected by slowdown in macroeconomic growth, the demand in paper making industry has been weak. At the same time, China has been encouraging energy conservation and emission reduction. The outdated production capacity will be phased out, and thus the new projects will be on a large scale. By virtue of the economies of scale in the paper making industry, the production capacity of individual paper making projects which are under construction or planning for construction in China is large, which affects the demand and supply relationship in the whole paper making industry.

Hence, the Company will make advancements in equipment and technological level, expand its product mix, improve the grading of products and focus on the research and development of high-end products so as to improve competitiveness.

4. Risk of price fluctuation of raw materials

Wood pulp is a major raw material in the Company. The market price of wood pulp fluctuates significantly. The market price fluctuation of raw material has significantly affected the production costs of the Company. In addition to intensified market competition resulting from surging capacity in the industry in recent years, the increases in prices of a number of paper products were not in line with the increases in prices of raw materials. 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 the Zhanjiang Chenming pulp project, the Huanggang Chenming pulp project and the Shouguang Meilun chemical pulp project, thereby eliminating the limitations of raw materials on the Company's development and enhancing the Company's sustainable development.

V Discussion and Analysis of Operations

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)*

5. Risk of change in environmental protection policies

China has been raising the standards for environmental protection in recent years. More stringent environmental protection policies have been implemented in the paper making industry with successive implementation of environmental inspections and licensing system for pollutant discharge. 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. A higher emission standard is bound to increase the environmental protection costs in the industry and a high entry standard may result in the slowdown of scale expansion.

The Company always strives 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 environmentally friendly projects and strive to achieve its waste emission target.

6. Risk on financial leasing business

The Company may suffer from loss if the lessees of its financial leasing business cannot make full rental payment on time due to any reason and there are abuses on equipment or any other short-term behaviour. Although the risk of such rental being unrecoverable is minimal, the Company will also make bad debt provision as required under its accounting policy. If such amounts cannot be recovered on time, the Company may be exposed to risk of bad debts.

The stringent risk management measures of Chenming Leasing provide comprehensive risk prevention and management for the Company's projects. Besides, the Company usually cooperates with state-owned enterprises and local governments, so it has strong risk resistance and low risk of default. Chenming Leasing will strengthen risk management so as to enhance risk resistance and maintain high-quality services.

V Discussion and Analysis of Operations

X. Reception of research investigations, communications and interviews

1. Reception of research investigations, communications and interviews during the reporting period

Applicable Not applicable

Reception time	Reception method	Type of participants	Index for basic particulars
19 April 2018	Field research	Institution	See Register of Investor Relations Activities Dated 24 April 2018 on CNINFO
13 July 2018	Field research	Institution	See Register of Investor Relations Activities Dated 16 July 2018 on CNINFO
19 December 2018	Field research	Institution	See Register of Investor Relations Activities Dated 21 December 2018 on CNINFO
Number of receptions			3
Number of institutions received			44
Number of individuals received			0
Number of other participants received			0
Whether any unpublished material information was disclosed, revealed or leaked			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 2018.

I. Principal activities

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

II. Results and profit distribution

Please refer to section XIII "Financial Report" for the results of the Group for the year ended 31 December 2018.

III. Dividends

After the end of the reporting period, the Board proposed to pay a final dividend for the year ended 31 December 2018 ("final dividend") of RMB2.4 in cash for every 10 Shares (tax inclusive) (2017: dividend of RMB6.00 in cash for every 10 Shares (tax inclusive)) to the ordinary shareholders of the Company, subject to approval of shareholders at the forthcoming Annual General Meeting ("AGM") of the Company held on 11 June 2019. Upon approval of shareholders of the Company at the AGM, the Company is expected to pay the final dividend on or by 11 August 2019 to shareholders whose names appear on the register of members of the Company on 20 June 2019.

In accordance with the Corporate Income Tax Law of the PRC and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% corporate income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of final dividends as corporate income tax, distribute the final dividends to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, or other nominees, trustees, or holders of H Shares registered in the name of other organisations and groups.

Due to changes in the PRC tax laws and regulations, according to the Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents issued by the State Administration of Taxation (《關於公佈全文失效廢止、部份條款失效廢止的稅收規範性文件目錄的公告》) on 4 January 2011, individual Shareholders who hold the Company's H Shares and whose names appeared on the H Share Register of the Company can no longer be exempted from individual income tax pursuant to the Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (Guo Shui Fa [1993] No. 045) (《關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》(國稅發[1993]045號)) issued by the State Administration of Taxation, whilst pursuant to the letter titled Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Stock Exchange to the issuers on 4 July 2011 and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 of State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), it is confirmed that the overseas resident individual shareholders holding shares of domestic non-foreign invested enterprises issued in Hong Kong are entitled to the relevant preferential tax treatments pursuant to the provisions in the tax arrangements between the countries where they reside and the PRC or the tax arrangements between the PRC and Hong Kong (Macau). Therefore, the Company will withhold 10% of the dividend as individual income tax, unless it is otherwise specified in the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividends in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

VI Directors' Report

IV. Closure of register of members

The register of members of the Company will be closed from 10 May 2019 (Friday) to 11 June 2019 (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 11 June 2019 (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, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 9 May 2019 (Thursday).

V. Five-year financial summary

Please refer to "IX. Five-year financial summary under paragraph 19 of appendix 16 of the Hong Kong Listing Rules" 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 RMB8,740,500.00 (2017: RMB1,950,000) to non-profit making organisations.

VII. Subsidiaries

Please refer to "VII. Analysis of major subsidiaries and investees" under section V "Discussion and Analysis of Operations" and "XX. Matters of significant of subsidiaries of the Company" under section VII "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 "II. Financial Statements 1. Consolidated Balance Sheet" under section XIII "Financial Report" for the details of changes in property, plant and equipment of the Group for the year ended 31 December 2018.

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 2018.

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.

VI Directors' Report

XI. Transfer into reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Law. As at 31 December 2018, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB9,530,159,552.96 (2017: RMB9,514,629,584.05) as set out in "II. Financial Statements 1. Consolidated Balance Sheet" under section XIII "Financial Report".

XII. Directors

As at 31 December 2018, the Directors of the Company were:

1. Executive Directors

Mr. Chen Hongguo
Mr. Hu Changqing
Mr. Geng Guanglin
Mr. Li Feng
Mr. Chen Gang

2. Non-executive Directors

Ms. Zhang Hong
Ms. Yang Guihua

3. Independent Non-executive Directors

Ms. Liang Fu
Ms. Wang Fengrong
Mr. Huang Lei
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 2016 to May 2019. 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 18 May 2016 to 17 May 2019.

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 the Senior Management's remuneration and the five highest paid individuals of the Company or/and its subsidiaries are set out in "V. Personnel of the Company" in section X "Directors, Supervisors and Senior Management and Staff" and "XII Related parties and related party transactions" in section XIII "Financial Report".

In 2018, the Company had 26 Senior Management members in total, which included directors, supervisors and the Senior Management. The remuneration of the Senior Management falls within the following ranges:

Range of remuneration (RMB)	Number
4.8 million to 5.2 million	1
3.6 million to 4.0 million	
3.2 million to 3.6 million	
2.8 million to 3.2 million	
2.4 million to 2.8 million	
2.0 million to 2.4 million	3
1.6 million to 2.0 million	1
1.2 million to 1.6 million	5
0.8 million to 1.2 million	1
Below 0.8 million	15

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 2018, 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	10,144,444
Hu Changqing	Executive Director and Vice Chairman	1,857
Li Feng	Executive Director	707,727
Geng Guanglin	Executive Director	656,150
Chen Gang	Executive Director	—
Yang Guihua	Non-executive Director	—
Zhang Hong	Non-executive Director	—
Huang Lei	Independent non-executive Director	—
Liang Fu	Independent non-executive Director	—
Wang Fengrong	Independent non-executive Director	—
Pan Ailing	Independent non-executive Director	—
Supervisors		
Li Dong	Supervisor	15,000
Sun Yinghua	Supervisor	—
Zhang Xiaofeng	Supervisor	—

VI Directors' Report

XVI. Securities interests held by Directors, Supervisors and Chief Executives (Cont'd)

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 10,144,444 A shares held personally, Chen Hongguo is deemed to be interested in the 644,022 A shares held by his spouse, Li Xueqin.

Note 2: Chen Hongguo and his spouse, Li Xueqin, collectively hold 76.79% 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 18.65% of the total share capital of Chenming Holdings) held by Shouguang Henglian is also deemed to be held by Chen Hongguo.

Save as disclosed above, as at 31 December 2018, 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 2018, 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 2018, 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.	444,146,128 A shares (L)	15.29	26.59
Shouguang Chenming Holdings Co., Ltd.	210,717,563 B shares (L)	7.25	29.83
Chenming Holdings (Hong Kong) Limited	210,717,563 B shares (L)	7.25	29.83
Shouguang Chenming Holdings Co., Ltd.	153,414,000 H shares (L)	5.28	29.04
Chenming Holdings (Hong Kong) Limited	153,414,000 H shares (L)	5.28	29.04
The National Social Security Fund Council	27,076,500 H shares (L)	0.93	5.12

(L) - Long position

(S) - Short position

(P) - Lending pool

Save as disclosed above, as at 31 December 2018, 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.

VI Directors' Report

XVIII. Relationship with employees, customers and suppliers

Please refer to “V. Personnel of the Company” under section X “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 “Discussion and Analysis of Operations” for details of the relationship between the Company and its employees, customers and suppliers.

XIX. Directors' interests in material contracts and indemnity provision

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. The Company did not have any indemnity provision in favour of any Director.

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.

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 2018.

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 “Discussion and Analysis of Operations” for details of major risk factors of the Company.

XXV. Material matters

Please refer to section VII “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 2019” 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 “Discussion and Analysis of Operations” for details of future development of the Company.

VI Directors' Report

XXVII. Environment, social and governance report and social responsibility

Please refer to XVIII. Fulfilment of Social Responsibility under section VII "Material Matters" for details of fulfilment of social responsibility. Please refer to the environment, social and governance report as required by the Hong Kong Listing Rules, which will be issued separately by the Company before 29 June 2019.

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 2018 has been reviewed by the Audit Committee of the Company.

XXXI. Gearing ratio

As at 31 December 2018, the Company's gearing ratio (including minority interest) was 62.61%, representing an increase of 1.81% from 60.80% for 2017, mainly due to the increase of long-term borrowings and short-term borrowings of the Company.

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 large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, mining, forestry, logistics and construction materials. It is also the first company in the paper making industry to own a financial company, as well as the only listed company in China with three types of shares in issue, namely A shares, B shares and H shares. The Group has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin, Wuhan, and others, which deliver annual pulp and paper production capacity of over 11,000,000 tonnes.

VI Directors' Report

XXXII. Going Concern Basis (Cont'd)

The Company has good sustainable profitability. In 2018, the Company achieved revenue of RMB28,876 million, net profit attributable to shareholders of the Company of RMB2,510 million and net cash inflows from operating activities of RMB40,089 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 commencement of operation of several major pulp production projects during and subsequent to the reporting period, the future performance of the Company is worth looking forward to.

In addition, as at the end of December 2018, the Company obtained, from major financial institutions, comprehensive credit facilities of RMB81,750 million, of which the unutilised credit facilities amounted to RMB29,594 million, 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 has established a finance company and commercial factoring companies as the core of the financial segment. The rapid business development, improving management system and effective risk control are conducive to further increasing the Group's fund settlement, management, investment and financing ability, and reducing its financing cost while improving its debt structure.

The auditors of the Company have prepared the 2018 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.

XXXIII. Connected Transactions

During the year ended 31 December 2018, the Group entered into the following connected transactions.

Acquisition of 25% equity interest in and loan due from Shanghai Hongtai Real Estate Co., Ltd.* (上海鴻泰房地產有限公司)

On 20 December 2018, Shanghai Chenming Industry Co., Ltd.* (上海晨鳴實業有限公司) ("Shanghai Chenming"), Shanghai New Huang Pu Real Estate Co., Ltd.* (上海新黃浦置業股份有限公司) and Shanghai Xinmin Industrial Co., Ltd.* (上海鑫旼實業有限公司) ("Shanghai Xinmin") entered into the equity transfer agreement in respect of the acquisition of 25% equity interest in and loan due from Shanghai Hongtai Real Estate Co., Ltd.* (上海鴻泰房地產有限公司) ("Hongtai Real Estate") ("Sale Shares and Sale Loan"), pursuant to which acquisition rights of the Sale Shares and Sale Loan were obtained by New Huang Pu Real Estate from Shanghai Xinmin by way of public tendering, and were transferred to Shanghai Chenming.

New Huang Pu Real Estate agreed with such arrangement, and conditionally agreed to sell to Shanghai Chenming, and Shanghai Chenming conditionally agreed to acquire from New Huang Pu Real Estate, the Sale Shares and Sale Loan for a consideration of RMB957,500,000.

Before the Acquisition, Shanghai Chenming held 75% equity interest in the Target Company and New Huang Pu Real Estate held 25% equity interest in the Target Company. Immediately after the completion of the Acquisition, Shanghai Chenming will hold 100% equity interest in the Target Company.

Before the acquisition, as the equity interest in Hongtai Real Estate were held by Shanghai Chenming and New Huang Pu Real Estate as to 75% and 25%, respectively, New Huang Pu Real Estate was a substantial shareholder of a non-wholly owned subsidiary of the Company, and hence a connected person of the Company at the subsidiary level.

For details, please see the announcement of the Company dated 20 December 2018.

Save as disclosed above, there were no other connected transactions of the Company during the year.

VI Directors' Report

XXXIV. Major Investment, Acquisition and Disposal

During the year ended 31 December 2018, the Group entered into the following major transaction agreements.

Subscription of shares in Guangdong Nanyue Bank Co., Ltd. and share transfer of Guangdong Nanyue Bank Co., Ltd.

On 28 May 2018 (after trading hours), Zhanjiang Chenming Pulp & Paper Co., Ltd. (湛江晨鳴漿紙有限公司) ("Zhanjiang Chenming"), a direct wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Guangdong Nanyue Bank Co., Ltd. (廣東南粵銀行股份有限公司) ("Guangdong Nanyue Bank"), pursuant to which Zhanjiang Chenming agreed to subscribe and Guangdong Nanyue Bank agreed to issue 425,594,366 shares through private placement at a total consideration of RMB791,605,520.76 based on the audited net assets per share of Guangdong Nanyue Bank of RMB1.86 as at 31 December 2017 (the "Acquisition").

On the same date, Zhanjiang Chenming entered into separate Share Transfer Agreements with China Delixi Holding Group Co., Ltd. (中國德力西控股集團有限公司), Shandong Hexin Chemical Group Co., Ltd. (山東和信化工集團有限公司), Chibi Chenli Paper Co., Ltd. (赤壁晨力紙業有限公司), and Foshan Nanhai Quanhui Metal Materials Trading Co., Ltd. (佛山市南海全匯金屬材料貿易有限公司) respectively, pursuant to which the Vendors agreed to dispose, and Zhanjiang Chenming agreed to acquire from the Vendors, a total of 943,405,634 shares in Guangdong Nanyue Bank at a total consideration of RMB1,754,734,479.24 based on the audited net assets per share of Guangdong Nanyue Bank of RMB1.86 as at 31 December 2017 (the "Equity Transfers").

Upon completion of the Subscription and the Share Transfers, Zhanjiang Chenming will hold 1,369,000,000 shares in Guangdong Nanyue Bank, representing 14.55% of its total enlarged share capital.

For details, please see the announcement of the Company dated 28 May 2018.

Save as disclosed above, there were no other major investment, acquisition or disposal of the Company during the year.

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 2017 profit distribution plan for ordinary shareholders: Based on the number of the ordinary shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB6 (tax inclusive) was to be paid to all ordinary shareholders for every 10 shares held and a capitalisation issue to ordinary shareholders was made out of the capital reserves of 5 shares for every 10 shares held. The total cash dividend to be distributed amounted to RMB1,161,843,280.20. The dividend distribution was implemented and completed on 10 August 2018. 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, and the announcement on the implementation of the 2017 profit distribution plan for A share and B share published on CNINFO on 6 August 2018.

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 2018 profit distribution plan for ordinary shares

On 29 March 2019, the Company convened the twelfth meeting of the eighth session of the Board, at which the 2018 profit distribution proposal was considered and approved: based on the total number of ordinary shares of the Company as at the end of 2018 of 2,904,608,200 shares, a cash dividend of RMB2.4 (tax inclusive) was to be paid to all ordinary shareholders for every 10 shares held. The total cash dividend distributed to the holders of ordinary shares amounted to RMB697,105,968 (tax inclusive) in 2018. The 2018 profit distribution plan is subject to consideration and approval at the 2018 annual general meeting, and will be implemented within two months from the date of consideration and approval at the general meeting.

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) 2017 profit distribution plan for ordinary shares

On 13 June 2018, the Company convened the 2017 annual general meeting, at which the 2017 profit distribution plan was considered and approved: based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB6.00 (tax inclusive) was to be paid to all shareholders for every 10 shares held, and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held will be distributed to ordinary shareholders. The total cash dividend distributed to the holders of ordinary shares amounted to RMB1,161,843,280.20 (tax inclusive) in 2017.

(3) 2016 profit distribution plan for ordinary shares

On 21 April 2017, the Company convened the 2016 annual general meeting, at which the 2016 profit distribution plan was considered and approved: based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB6.00 (tax inclusive) was to be paid to all shareholders for every 10 shares held. The total cash dividend distributed to the holders of ordinary shares amounted to RMB1,161,843,280.20 (tax inclusive) in 2016.

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	Amount of cash dividend as a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements	Amount of cash dividends through other means such as share repurchase	Ratio of cash Dividends distribution through other means in net profit attributable to ordinary shareholders of the Company in the consolidated financial statements	Total cash dividend (including through other means)	Total cash dividend (including through other means) as a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements
2018	697,105,968.00	2,509,828,858.47	27.78%	0.00	0.00%	697,105,968.00	27.78%
2017	1,161,843,280.20	3,769,325,450.93	30.82%	0.00	0.00%	1,161,843,280.20	30.82%
2016	1,161,843,280.20	1,998,578,788.75	58.13%	0.00	0.00%	1,161,843,280.20	58.13%

The Company made a profit and had positive retained profit available for ordinary shareholders of parent company 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)	Cash dividend of RMB2.4 (tax inclusive) per 10 shares to ordinary shareholders and cash dividend of RMB2.4 (tax inclusive) per 10 simulated shares converted from preference shares into ordinary shares to holders of preference shares
Conversion per 10 shares (share(s))	No increase of share capital from reserves
Share base of the distribution proposal (shares)	2,904,608,200 ordinary shares and 1,162,790,698 simulated shares converted from preference shares on a conversion ratio of 1 preference share valued at RMB3.87; the share base of the distribution proposal was 4,067,398,898 shares.
Cash dividend (RMB) (tax inclusive)	976,175,735.52
Amount of cash dividend distribution through other means such as share repurchase (RMB)	0.00
Total cash dividend including other means (RMB)	976,175,735.52
Distributable profits (RMB)	9,107,422,690.85
Percentage of cash dividend to total profits distribution	100%

Cash dividend policy

For profit distribution of companies which are fully developed with significant capital expenditure arrangement, the percentage for cash dividend shall represent at least 40% of the profits distribution for the current year

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

The audited consolidated net profit attributable to shareholders of the Company for 2018 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB2,509,828,858.47. When deducting the interest on perpetual bonds of RMB347,140,000.00 and fixed dividend on preference shares of RMB214,425,000.00 for 2018, the distributable profit realised for 2017 amounted to RMB1,948,263,858.47.

In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, based on the total ordinary share capital of 2,904,608,200 shares and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2018, a cash dividend of RMB2.4 (tax inclusive) per 10 shares will be distributed to ordinary shareholders; a cash dividend of RMB2.4 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares. No bonus shares will be issued and no capitalisation issue was made out of the reserves. A cash dividend of RMB697,105,968 will be distributed to ordinary shareholders and a variable cash dividend of RMB279,069,767.52 will be distributed to holders of preference shares. In other words, a cash dividend of RMB6.20 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

VII Material Matters

III. Performance of undertakings

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company 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	Chenming Holdings Co., Ltd.	Non-competitive undertaking	(1) Chenming Holdings Co., Ltd. ("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 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 Chenming Holdings is in breach of the above-mentioned 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 Chenming Holdings, which directly or indirectly compete with the businesses of our Group, at market price or cost price (whichever price is lower); (4) 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	Implementing as normal

VII Material Matters

III. Performance of undertakings (Cont'd)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company 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
	Chenming Holdings Co., Ltd.	Defective properties	(1) According to the plan on defective properties of the Company, Chenming Holdings Co., Ltd. ("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, 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), 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 Chenming Holdings after verification.	16 January 2008	During the period when Chenming Holdings was the major shareholder of the Company	Implementing as normal
	Shandong Chenming Paper Holdings Limited	Specific remedial measures for non-public issuance of preference shares	In view of the impacts on dilution of current returns for ordinary shareholders under the preference shares issuance, and in order to implement the Notice of the General Office of the State Council on Further Strengthening Protection of the Lawful Rights of Small Investors in Capital Markets, protect the interests of ordinary shareholders and provide remedies for the possible dilution on current returns as a result of preference shares issuance, the Company has undertaken that it will implement various measures to ensure the effective utilisation of proceeds raised, which can prevent dilution on current returns effectively, thereby enhancing future returns.	25 March 2016	9999-12-31	Implementing as normal

VII Material Matters

III. Performance of undertakings (Cont'd)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company 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
Equity incentive undertakings						
Other undertakings made to the Company's minority shareholders						
Whether undertakings performed on time	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

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

VII Material Matters

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

Change in accounting policies due to implementation of new standards

The Ministry of Finance issued the “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (revised in 2017)” (Cai Kuai (2017) No. 7), “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets (revised in 2017)” (Cai Kuai (2017) No. 8) and “Accounting Standard for Business Enterprises No. 24 – Hedging Accounting (revised in 2017)” (Cai Kuai (2017) No. 9) on 31 March 2017, issued “Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (revised in 2017)” (Cai Kuai (2017) No. 14) on 2 May 2017 (the “New Standards for Financial Instruments”), and issued “Accounting Standard for Business Enterprises No. 14 – Revenue (revised in 2017)” (Cai Kuai (2017) No. 22) on 5 July 2017 (the “New Standard for Revenue”), which required the enterprises listed in both domestic and overseas markets and the enterprises listed in overseas markets and adopting the International Financial Reporting Standards or Accounting Standards for Business Enterprises for financial report preparation to adopt the New Standards for Financial Instruments and the New Standard for Revenue from 1 January 2018.

As approved at the eleventh meeting of the eighth session of the Board of the Company on 25 October 2018, the Company began to adopt the above five accounting standards within the timeframe as required by the Ministry of Finance.

The effects of the implementation of the New Standards for Financial Instruments on the Company are set out in the following tables:

A. Comparison of recognition and measurement of financial assets before and after the adoption of the New Standards for Financial Instruments

Category of financial assets	31 December 2017 (before change)		1 January 2018 (after change)	
	Category of measurement	Carrying amount	Category of measurement	Carrying amount
Bills receivable and accounts receivable	Loans and receivables	7,886,097,430.59	Amortised cost	7,886,097,430.59
Available-for-sale financial assets	Available-for-sale financial assets	2,453,000,000.00	Financial assets measured at fair value through profit or loss	2,453,000,000.00
			Financial assets measured at fair value through other comprehensive income	–

B. Reconciliation of the category and carrying amount of financial instruments on the date of first adoption

Item	31 December 2017 (before change)	Reclassification	Remeasurement	1 January 2018 (after change)
Assets:				
Financial assets measured at fair value through profit or loss	94,000,000.00	-94,000,000.00		
Held-for-trading financial assets		94,000,000.00		94,000,000.00
Available-for-sale financial assets	2,453,000,000.00	-2,453,000,000.00		
Other non-current financial assets		2,453,000,000.00		2,453,000,000.00

C. Impact of the adoption of the New Standard for Revenue on the Company:

Change	Item	Amount as at 1 January 2018 (after change)	Amount as at 31 December 2017 (before change)
Advances on sales	Contract liabilities	243,182,891.22	
Advances on sales	Advance receipts		243,182,891.22

VII Material Matters

VII. Reason for retrospective restatement to correct major accounting errors during the reporting period

√ Applicable □ Not applicable

The contents of the correction of accounting errors.	Procedure	The name of the report projects during the periods of comparison affected	Cumulatively affected amount
Some of the financial leasing operations conducted by Shandong Chenming Financial Leasing Co., Ltd., a subsidiary of the Company, did not comply with laws. Hence, interest income arising from such operations shall recognise as interest income and interest expense instead of revenue and operating costs. The misstatement of items in the income statement did not affect the retained profit at the beginning of the period.	Consideration and approval at the twelfth meeting of the eighth session of the Board and at the thirteenth meeting of the eighth session of the Supervisory Committee in 2019	Revenue from principal activities for 2017	-379,290,284.15
		financial cost for 2017	-379,290,284.15
		Revenue from principal activities for 2016	-340,195,777.53
		financial cost for 2016	-340,195,777.53
		Revenue from principal activities for 2015	-49,262,640.70
		financial cost for 2015	-49,262,640.70

VII Material Matters

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 year, the scope of consolidation included 4 newly established subsidiaries, namely Shandong Chenming Coated Paper Sales Co. Ltd., Jiangxi Chenming Supply Chain Management Co., Ltd., Chenming Paper United States Co., Ltd. and Beijing Chenming Financial Leasing Co., Ltd.

During the year, one company was excluded from the scope of consolidation: The Company disposed of 30% equity interest in Xuchang Chenming Paper Co. Ltd. Subsequent to the disposal, Xuchang Chenming Paper Co. Ltd., which was held as to 30% by the Company, was excluded from the scope of consolidation.

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)	330
Continued term of service of the domestic accounting firm	6
Name of certified public accountants of the domestic accounting firm	Liu Jian and Jiang Lei
Continued term of service of certified public accountants of the domestic accounting firm	1

Whether to appoint another accounting firm during the current period

Yes No

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

Applicable Not applicable

1. In 2018, the Company engaged Ruihua Certified Public Accountants as the internal control and auditing firm of the Company. The Company paid RMB800,000 as internal control and auditing fees during the period.
2. In 2018, 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.

VII Material Matters

XII. Material litigation and arbitration

√ Applicable Not applicable

Basic information about litigation (arbitration)	Amount (RMB'0,000)	Will liability be incurred	Progress of litigation (arbitration)	Judgment result of the litigation (arbitration) and its effect	Judgment execution of the litigation (arbitration)	Disclosure date	Disclosure index
Statutory demand and Winding-up Petition	HK\$389,112,432.44	Yes	The Company has appealed against the order of Justice Harris dated 14 June 2017 on 12 July 2017. The hearing was conducted at the Court of Appeal of the High Court of the HKSAR on 11 May 2018. At the conclusion of the hearing, the court indicated that a date will be set to hand down the judgment. The Company will perform its disclosure obligation on a timely basis according to the progress.	Not applicable	Not applicable	15 May 2018	http://www.cninfo.com.cn

XIII. Punishment and rectification

√ Applicable Not applicable

Name	Type	Reason	Investigation and punishment type	Conclusion, if any	Disclosure date	Disclosure index
Jiangxi Chenming Paper Co., Ltd.	Corporate	Inspection by environmental protection authorities due to failure to have waste pulp and waste wood chip disposal registered, excessive waste water discharge, and non-compliance sludge disposal by a third party transportation company.	General administrative penalties were imposed by environmental protection authorities.	During the period from May to June 2018, Jiangxi Chenming was imposed 5 administrative penalties by Nanchang Environmental Protection Bureau due to fluctuating waste water discharge as a result of unstable environmental protection treatment facilities, non-compliance sludge disposal by a third party transportation company and failure to have waste pulp and waste wood chip disposal registered. The penalties due were paid. The above cases were settled. Jiangxi Chenming had conducted rectification based on the rectification notices and had good results. The above five administrative penalties were general administrative penalties and did not constitute material non-compliance with the laws and regulations.	Not applicable	Not applicable

VII Material Matters

XIII. Punishment and rectification

Rectification

Applicable Not applicable

Jiangxi Chenming actively conducted rectification upon the above environmental protection penalties. The rectification measures are detailed as follows:

1. Jiangxi Chenming replaced the automatic valve, inspected the equipment and facilities more frequently and enhanced the regular maintenance and repair of the key equipment. The blowdown pipes were repaired to ensure the alkaline cleaning water in the alkaline cleaning tanks still had access to the wastewater treatment system for effective treatment through the pipes when the automatic valve did not function. The wastewater was treated and discharged up to standard through the central wastewater outfall in the plant area. The wastewater outfall was monitor online in real time throughout 24 hours to completely remove the problem of leakage possibly caused by the alkaline cleaning system. The rectification was completed on 12 June 2018.
2. Jiangxi Chenming commissioned for the formulation of a sludge treatment plan and sought expert verification, the result of which is secure landfill. Disposal of sludge by way of regular clearance and landfilling was completed during the reporting period.
3. As there is recovery value in waste pulp and waste wood chip, Jiangxi Chenming has always recycled such items as valuable by-products, as such they were not registered with solid waste platforms. On 27 June 2018, as required by the Environmental Protection Bureau, Jiangxi Chenming organised the data collection and ledger compilation of waste pulp and waste wood chip for 2017, filled such data on the general industrial solid waste registration website of Nanchang Environmental Protection Bureau, and submitted the printed version with the municipal solid waste station for registration and filing.
4. With the shift in production of Jiangxi Chenming, the original discharge of thermo-mechanical pulp and waste paper deinked pulp mixture gradually turned into the discharge of thermo-mechanical pulp. The COD and SS density of thermo-mechanical pulp discharge are high, and drastic fluctuations of SS discharge indicator were recorded during the adjustment of the mid-stage water system. Jiangxi Chenming made a series of adjustments for this purpose, including: ① complementing the strains in sludge; ② adjusting the primary sedimentation tank; ③ applying the recycling system; and ④ increase the application of chemicals in in-depth treatment. The implementation of the above measures enabled discharge up to standard.

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

Applicable Not applicable

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.

VII Material Matters

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	Director of the Company serves as the chairman	Procurement	Natural gas, heavy oil etc.	Market price	Market price	34,763.91	1.8%	35,000	No	Bank acceptance and telegraphic transfer	Not applicable	23 June 2018	http://www.cninfo.com.cn
Particulars on refund of bulk sale				Not applicable									

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

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	Carrying amount of the transferred asset (RMB'0,000)	Assessed value of the transferred asset (RMB'0,000) (if any)	Transfer price (RMB'0,000)	Settlement of related party transactions	Transaction profit and loss (RMB'0,000)	Disclosure date	Disclosure index
Guangdong Dejun Investment Co., Ltd.	Pursuant to the requirement under Paragraph (3) of Article 10.1.6 of the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange	Equity acquisition	Receipt of 30% equity interest in Hongtai Real Estate held by Guangdong Dejun and Guangdong Dejun's debt to Hongtai Real Estate	Valuation report	21,085.86	123,977.96	127,500	Wire transfer	Not applicable	30 January 2018	http://www.cninfo.com.cn
Effects on the operating results and financial condition of the Company		The transaction was conducted to meet the needs of the Company for accelerated internationalisation development and long-term business development. Upon completion of the transaction, the Company is able to more rationally integrate the resources of all Shanghai departments, save the office rental expenses of Shanghai departments, and increase fixed assets for the Company, further improving the Company's office environment and efficiency.									

3. Related party transaction connected to 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

Were there any non-operating related creditors' rights and debts transaction?

Yes No

Debts payable to any related party:

Related party	Relationship with the Company	Reason	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount recovered during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
CHENMING HOLDINGS COMPANY LIMITED	The controlling shareholder of the Company	financial support	0	84,082.03	46,482.03	7%	482.03	37,600
Effect of related debts on the operating results and financial position of the Company	Financial support is provided by Chenming Holdings without requiring any pledge or guarantee, which is a testament to its support and confidence in the future development of the Company, and helps the Company promote project construction and satisfy its needs for working capital.							

5. Other significant related party transactions

Applicable Not applicable

There was no other significant 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

VII. Material contracts and implementation (Cont'd)

2. Significant guarantees

√ Applicable □ Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to Weifang Sime Darby West Port Co., Ltd., a joint venture, and the guarantee amount incurred was RMB85.00 million. The Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB10,855.5683 million. The subsidiaries provided guarantee to their subsidiaries and the guarantee amount incurred was RMB1,321.3970 million.

As at 31 December 2018, the balance of the external guarantee provided by the Company (including the guarantee to its subsidiaries by the Company and the guarantee provided to subsidiaries by subsidiaries) amounted to RMB16,150.4970 million, representing 64.48% of the equity attributable to shareholders of the Company as at the end of 2018.

The Company did not provide any guarantee to external parties (excluding the guarantee provided to its subsidiaries and the guarantee provided to subsidiaries by subsidiaries) and did not provide any guarantee against the rules and regulations.

Unit: RMB'0,000

External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)								
Name of obligee	Date of the related Announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Weifang Sime Darby West Port Co., Ltd.	24 July 2017	17,500	20 December 2017	13,500	General guarantee	10 years	Not	No
Total external guarantees approved during the reporting period (A1)		0	Total actual external guarantees during the reporting period (A2)					8,500
Total external guarantees approved at the end of the reporting period (A3)		17,500	Balance of total actual guarantees at the end of the reporting period (A4)					13,500
Guarantees between the Company and its subsidiaries								
Name of obligee	Date of the related Announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2016	150,000			General guarantee	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	17 February 2017	650,000	21 December 2017	325,547.08	General guarantee	2 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14 June 2018	200,000			General guarantee	3 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000	2 March 2013	128,007.56	General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	30 March 2016	300,000			General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	14 February 2018	150,000			General guarantee	3 years	No	No
Shanghai Chenming Financial Leasing Co., Ltd.	14 February 2018	400,000			General guarantee	3 years	No	No
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	14 February 2018	250,000			General guarantee	3 years	No	No
Guangzhou Chenming Financial Leasing Co., Ltd.	14 February 2018	200,000			General guarantee	3 years	No	No
Shandong Chenming Commercial Factoring Co., Ltd.	14 February 2018	200,000			General guarantee	3 years	No	No
Huanggang Chenming Arboriculture Development Co., Ltd.	17 February 2017	5,000			General guarantee	2 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	26 March 2015	400,000	14 December 2015	90,404.36	General guarantee	7 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2016	550,000			General guarantee	7 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2016	150,000			General guarantee	7 years	No	No
Jiangxi Chenming Paper Co., Ltd.	17 February 2017	200,000	16 March 2017	88,242.92	General guarantee	2 years	No	No
Jiangxi Chenming Paper Co., Ltd.	14 June 2018	50,000			General guarantee	3 years	No	No
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	19 January 2018	68,778.76	General guarantee	10 years	No	No
Shouguang Meilun Paper Co., Ltd.	17 February 2017	100,000			General guarantee	2 years	No	No
Shandong Chenming Paper Sales Co., Ltd.	30 March 2016	200,000			General guarantee	3 years	No	No
Shandong Chenming Paper Sales Co., Ltd.	17 February 2017	400,000	24 February 2018	375,013.79	General guarantee	2 years	No	No
Chenming (HK) Limited	30 March 2016	100,000			General guarantee	3 years	No	No
Chenming (HK) Limited	17 February 2017	500,000	23 March 2018	343,959.27	General guarantee	2 years	No	No
Chenming (HK) Limited	14 June 2018	250,000			General guarantee	3 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	17 February 2017	50,000			General guarantee	2 years	No	No
Jilin Chenming Paper Co., Ltd.	17 February 2017	150,000	25 October 2018	7,192.00	General guarantee	2 years	No	No
Shandong Chenming Group Finance Co., Ltd.	17 February 2017	500,000			General guarantee	2 years	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	17 February 2017	5,000			General guarantee	2 years	No	No
Nanchang Chenming Arboriculture Development Co., Ltd.	15 August 2017	10,000			General guarantee	3 years	No	No
Shandong Chenming Panels Co., Ltd.	14 June 2018	3,000			General guarantee	3 years	No	No
Shanghai Chenming Industrial Co., Ltd.	11 October 2018	400,000			General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		2,103,000	Total amount of guarantee provided for subsidiaries during the reporting period (B2)					1,085,556.83
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		7,623,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					1,427,145.74

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Name of obligee	Date of the related Announcement disclosing the guarantee amount	Guarantees between subsidiaries					Fulfilled or not	Guarantee to related parties or not	
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term			
Chenming (HK) Limited	30 March 2016	100,000	10 July 2018	87,870.22	General guarantee	3 years	No	No	
Chenming (HK) Limited	30 March 2016	100,000	8 August 2018	86,533.73	General guarantee	3 years	No	No	
Chenming (HK) Limited	30 March 2016	100,000			General guarantee	3 years	No	No	
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		0	Total amount of guarantee provided for subsidiaries during the reporting period (C2)						132,139.70
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		300,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)						174,403.96
Total amount of guarantee provided (i.e. sum of the above three guarantee amount)									
Total amount of guarantee approved during the reporting period (A1+B1+C1)		2,103,000	Total amount of guarantee during the reporting period (A2+B2+C2)						1,226,196.53
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		7,940,500	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)						1,615,049.70
The percentage of total amount of guarantee provided (i.e. 4+B4+C4) to the net assets of the Company									64.48%
Of which:									
Balance of guarantee provided for shareholders, beneficial controllers and its related parties (D)									0
Balance of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)									639,822.11
Total amount of guarantee provided in excess of 50% of net assets (F)									349,058.78
Sum of the above three amount of guarantee (D+E+F)									988,880.89

Specific explanation of compound guarantees

(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.

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

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

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

4. Other material contracts

√ Applicable Not applicable

Name of contract party	Name of contract counterparty	Subject matter	Date of signing	Involved assets and carrying amount (RMB '0,000)	Estimated value of involving assets (RMB '0,000)	Name of value	Valuation reference date	Pricing basis	Transaction consideration (RMB '0,000)	Whether it is a related party transaction	Relationship	Implementation as at the end of the reporting period	Disclosure date	Disclosure index
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Guangdong Nanyue Bank Co., Ltd. (廣東南粵銀行股份有限公司), China	14.55% equity in Guangdong Nanyue Bank	28 May 2018	254,634	Not applicable	Not applicable	Not applicable	Audited net assets per share	254,634	No	Not applicable	In the course of performance	5 May 2018	http://www.cninfo.com.cn
	Delixi Holding Group Co., Ltd. (中國德力西控股集團有限公司), Shandong	Co., Ltd. (廣東南粵銀行股份有限公司)												
	Hexin Chemical Group Co., Ltd. (山東和信化工集團有限公司), Chibi													
	Chenil Paper Co., Ltd. (赤壁晨力紙業有限公司), Foshan Nanhai Quanhui													
	Metal Materials Trading Co., Ltd. (佛山市南海全匯金屬材料貿易有限公司)													

XVIII. Fulfilment of Social Responsibility

1. Fulfilment of social responsibility

The state is the strongest support for the development of Chenming, while society is the greatest origin for Chenming's development and growth. During its development for more than half a century, the Company 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.

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

1. Fulfilment of social responsibility (Cont'd)

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 healthy 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.

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.

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

1. Fulfilment of social responsibility (Cont'd)

The Company has strictly implemented in-depth corporate governance. It has put great efforts and huge investments in promoting the management of “the three kinds of waste” so as to facilitate energy conservation and emission reduction, aiming to become a low energy consumption and environment-friendly enterprise. In respect of wastewater treatment, the Company has established world-class wastewater treatment system. It has over 10 wastewater 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 wastewater 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 waste. 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 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 for 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 tens of 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”.

2. Fulfilment of social responsibility regarding targeted poverty relief

The Company did not commence any work regarding targeted poverty relief.

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters

Are the Company and its subsidiaries classified as key pollutant discharging unit as specified by environmental protection authority?

Yes

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Shandong Chenming Paper Holdings Limited	COD	Organised emission	3	Within Chenming Industrial Park	186mg/L	300mg/L	4126.30t	7666.64t	No
	Ammonia nitrogen	Organised emission	3	Within Chenming Industrial Park	3.9mg/L	30mg/L	96.39t	766.66t	No
	Sulphur dioxide	Organised emission	3	Within Chenming Industrial Park	Electric power station: 4.88mg/m ³ Alkali recovery: 2.62mg/m ³	Electric power station: 35mg/m ³ Alkali recovery: 200mg/m ³	8.87t	247.16t	No
	Nitrogen oxide	Organised emission	3	Within Chenming Industrial Park	Electric power station: 42.1mg/m ³ Alkali recovery: 127.3mg/m ³	Electric power station: 100 mg/m ³ Alkali recovery: 300mg/m ³	172.5t	1059.41t	No
	Smoke	Organised emission	3	Within Chenming Industrial Park	Electric power station: 0.80mg/m ³ Alkali recovery: 9.35mg/m ³	Electric power station: 10 mg/m ³ Alkali recovery: 20mg/m ³	1.45t	70.62t	No
Shouguang Meilun Paper Co., Ltd.	Sulphur dioxide	Organised emission	2	Within Chenming Industrial Park	8.2mg/m ³	35mg/m ³	79.82t	383.9t	No
	Nitrogen oxide	Organised emission	2	Within Chenming Industrial Park	47.3mg/m ³	100 mg/m ³	455t	1163.24t	No
	Smoke	Organised emission	2	Within Chenming Industrial Park	0.81mg/m ³	5mg/m ³	7.33t	122.94t	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	COD	Organised emission	1	East of the factory area	30.67mg/l	80mg/L	33.96t	184.30t	No
	Ammonia nitrogen	Organised emission	1	East of the factory area	1.24mg/l	8 mg/L	1.37t	17.30t	No
	Sulphur dioxide	Organised emission	2	Within Qianneng Electric Power factory area	130t/h 24.8mg/m ³ 75t/h Furnace: 29.7mg/m ³	50mg/m ³	32.17t	102.58t	No
	Nitrogen oxide	Organised emission	2	Within Qianneng Electric Power factory area	130t/h Furnace: 27.8mg/m ³ 75t/h Furnace: 58.1mg/m ³	100 mg/m ³	42.62t	205.16t	No
	Smoke	Organised emission	2	Within Qianneng Electric Power factory area	130t/h Furnace: 12.2mg/m ³ 75t/h Furnace: 10.5mg/m ³	20mg/m ³	14.73t	41.03t	No

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Jiangxi Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	42.75mg/L	90mg/L	279.18t	1260t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	2.25mg/L	8mg/L	9.08t	112t	No
	Sulphur dioxide	Organised emission	2	Within factory area		200mg/m3	180.81t	806t	No
	Nitrogen oxide	Organised emission	2	Within factory area	102.41mg/m3	200 mg/m3	303.37t	806t	No
	Smoke	Organised emission	2	Within factory area	11.05mg/m3	30mg/m3	38.09t	135t	No
Jilin Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	61.9mg/L	90mg/L	275.38t	357t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.51mg/L	8mg/L	6.72t	34t	No
	Sulphur dioxide	Organised emission	1	Within factory area	5mg/m3	100mg/m3	7.39t	97t	No
	Nitrogen oxide	Organised emission	1	Within factory area	36.07mg/m3	100mg/m3	53.34t	213t	No
	Smoke	Organised emission	1	Within factory area	14.7mg/m3	30mg/m3	21.7t	51.66t	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	COD	Organised emission	1	Within Zhanjiang Chenming factory area	35.57mg/L	90mg/L	860.03t	1943t	No
	Ammonia nitrogen	Organised emission	1	Within Zhanjiang Chenming factory area	1.01mg/L	8mg/L	28.49t	43.90t	No
	Sulphur dioxide	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln: 0.26mg/m3 Alkali recovery: 26.41mg/m3 Electric power factory 1#: 4.66mg/m3 Electric power factory 2#: 2.93mg/m3 Electric power factory 3#: 5.77mg/m3 Electric power factory 4#: 16.60mg/m3	Lime kiln:400mg/m3 Alkali recovery: 200mg/m3 1#, 2#, 3# circulating fluidised bed boilers: 100mg/m3 4# circulating fluidised bed boilers: 35mg/m3	317.26t	620t	No

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
	Nitrogen oxide	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln: 231.5mg/m ³ Alkali recovery: 198.6mg/m ³ Electric power factory 1#: 21.55mg/m ³ Electric power factory 2#: 20.09mg/m ³ Electric power factory 3#: 17.75mg/m ³ Electric power factory 4#: 28.35mg/m ³	Lime kiln: 300mg/m ³ Alkali recovery: 200mg/m ³ 1#, 2#, 3# circulating fluidised bed boilers: 100mg/m ³ 4# circulating fluidised bed boilers: 50mg/m ³	1634.36t	2169.70t	No
	Smoke	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln: 14.2mg/m ³ Alkali recovery: 15.30mg/m ³ Electric power factory 1#: 14.12mg/m ³ Electric power factory 2#: 4.41mg/m ³ Electric power factory 3#: 7.52mg/m ³ Electric power factory 4#: 9.75mg/m ³	Lime kiln: 80mg/m ³ Alkali recovery, 1#, 2#, 3# circulating fluidised bed boilers: 30mg/m ³ 4# circulating fluidised bed boilers: 10mg/m ³	190.87t	196t	No

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Construction and operation of facilities for pollution prevention and control

- (1) The Company and its subsidiaries strictly comply with laws, regulations and relevant rules regarding environmental protection of the central and local government. The construction of projects strictly adheres to the “three simultaneities” on environmental protection. In order to ensure pollutants are discharged strictly in accordance with the requirements under laws and regulations and disposed properly, production and operation strictly comply with the national Law on the Prevention and Control of Environmental Pollution, Law on the Prevention and Control of Water Pollution, Law on the Prevention and Control of Air Pollution, Action Plan for Prevention and Control of Water Pollution and Law on the Prevention and Control of Environmental Pollution by Solid Waste and other laws.
- (2) Both the Company and its subsidiaries are equipped with comprehensive environmental protection treatment facilities. The pre-treatment-aerobic-anaerobic-in-depth treatment technology is the major technology for water treatment, which can achieve standardised discharge of wastewater. Moreover, subsidiaries are equipped with recycling system for process effluent, and reuse treated wastewater to the greatest extent in order to minimise pollution. The Company has constructed a total of 9 water treatment plants, with daily treatment capacity of 350,000 m³. In addition, governmental authority will regularly visit the Company to conduct comparison of online monitoring data every quarter. All data meets the standards.
- (3) Each subsidiary's organised emission outlets are equipped with an online monitoring system for real-time monitoring. All subsidiaries have their own power plants. Each self-owned plant has its own environmental protection facilities for de-dusting, desulphurisation and denitrification. Denitrification is conducted through SCR or SNCR, while desulphurisation is primarily conducted through gypsum desulphurisation (ammonia desulphurisation is adopted in the self-owned plant of Jiangxi Chenming). Substantially all of the emissions indicators are below the national and local execution standards. Other alkali recovery boilers and lime kilns are also in compliance with the emission standards.

Environmental impact assessment of construction projects and other environmental protection administrative licensing

The Company has strictly complied with the environmental laws and regulations all along to carry out environmental impact assessment of construction projects. The construction projects are all subject to environmental impact assessment. During the construction process, a reasonable environmental protection project construction plan is formulated and strictly implemented. The environmental protection facilities and the main project are designed, constructed and put into operation at the same time. At present, all construction projects put into production have obtained environmental impact assessment approvals and acceptance approvals.

In June 2017, the Company and its subsidiaries completed the formalities for new discharge permits in accordance with the Measures for the Administration of Pollutant Discharge Permits of the Ministry of Environmental Protection, and the discharge permits of the new projects were renewed according to the environmental protection requirements in a timely manner.

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Emergency plan for emergency environmental incidents

The Company has strictly implemented emergency regulations for emergency environmental incidents, and formulated various emergency plans for emergency environmental incidents according to the technical requirements in the "Technical Guidelines for Emergency Environmental Pollution Accidents". The plans are reviewed by and filed with the Environmental Protection Bureau, and regular emergency training and emergency drills are conducted. Emergency measures in relation to dangerous chemicals are formulated in accordance with the environmental protection requirements. At the same time, necessary emergency supplies are provided with regular inspections and updates.

Environmental self-monitoring programme

The Company has strictly complied with self-monitoring laws and regulations, and conducted self-monitoring in accordance with the environmental protection requirements to establish and perfect the corporate environmental management ledgers and materials. At present, self-monitoring is a combination of manual monitoring and automatic monitoring. At the same time, qualified units are engaged to conduct regular monitoring. Automatically monitored items include: total wastewater discharge (COD, ammonia nitrogen, flow rate, total phosphorus, total nitrogen and PH); power plant, alkali recovery boilers and lime kiln exhaust emissions (sulphur dioxide, nitrogen oxide and smoke). Manually monitored items include: daily monitoring of COD, ammonia nitrogen, SS, chroma, PH, total phosphorus and total nitrogen indicators. Sewage and other monitoring items, unorganised exhaust emission, solid waste, and noise at the plant boundary, are monitored on a monthly or quarterly basis by qualified units engaged in accordance with the local environmental protection requirements in relation to each subsidiary.

The self-monitoring data and environmental monitoring programmes for pollutants discharge of various subsidiaries are published on the national key pollution source information disclosure website and the provincial key pollution source information disclosure websites.

Other environmental information to be disclosed

The relevant environmental protection information of the pollutant discharge permit information and the pollutant discharge permit requirements is announced on the national sewage discharge permit management information platform.

Other environmental protection related information

Other environmental protection related information is announced on the Company's website.

VII Material Matters

XIX. Other matters of significance

Applicable Not applicable

1. Issue of medium-term notes with an amount of RMB1,000 million

The public issue of the 2018 first tranche of medium-term notes in the national inter-bank bond market was launched by the Company on 16 March 2018. The amount of the issue was RMB1,000 million with a nominal value of RMB100 each at the interest rate of 7.50%.

For details, please refer to relevant announcement (announcement no.: 2018-017) of the Company published on CNINFO on 22 March 2018.

2. Entering into the Developmental Financial Cooperation Agreement with China Development Bank

On 29 March 2018, the Company and China Development Bank entered into the Developmental Financial Cooperation Agreement to establish a new strategic partnership for the all-rounded and in-depth cooperation between an industrial group and a financial group. Adhering to the principle of “planning first”, both parties will make full use of their respective advantages to carry out in-depth cooperation in areas such as medium and long-term project cooperation, loans for working capital, intermediary business and cross-border financing through project cooperation at the early stage and cooperation on financial products.

For details, please refer to relevant announcement (announcement no.: 2018-028) of the Company published on CNINFO on 1 April 2018.

3. Announcement on the Debt-to-equity Cooperation Framework Agreement Entered into with ICBC Investment

On 16 October 2018, the Company entered into the Market-based Debt-to-equity Cooperation Agreement with ICBC Financial Asset Investment Co., Ltd., pursuant to which the companies established a strategic relationship and jointly promoted the debt-to-equity business under the principle of development, win-win, equality and mutual benefit.

For details, please refer to relevant announcement (announcement no.: 2018-143) of the Company published on CNINFO on 18 October 2018.

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-001	Announcement on Result of the Issue of 2018 First Tranche of Super & Short-term Commercial Paper	9 January 2018	http://www.cninfo.com.cn
2018-002	Announcement on Resignation of Secretary to the Board	19 January 2018	http://www.cninfo.com.cn
2018-003	Announcement on Estimated Annual Results for 2017	19 January 2018	http://www.cninfo.com.cn
2018-004	Announcement on Result of the Issue of 2018 Second Tranche of Super & Short-term Commercial Paper	19 January 2018	http://www.cninfo.com.cn
2018-005	Second Supplementary Notice of the 2018 First Extraordinary General Meeting	26 January 2018	http://www.cninfo.com.cn
2018-006	Announcement in respect of Resolutions of the Twentieth Extraordinary Meeting of the Eighth Session of the Board of Directors	30 January 2018	http://www.cninfo.com.cn
2018-007	Announcement on the Receipt of 30% equity interest in Hongtai Real Estate held by Guangdong Dejun and Guangdong Dejun's Debt to Hongtai Real Estate and Related Party Transaction	30 January 2018	http://www.cninfo.com.cn
2018-008	Announcement on External Investment	30 January 2018	http://www.cninfo.com.cn
2018-009	Announcement in respect of Guarantee in Favour of Related Subsidiaries for their Credit Facilities Applications	30 January 2018	http://www.cninfo.com.cn
2018-010	Announcement on Additional Resolutions Proposed at the 2018 First Extraordinary General Meeting	30 January 2018	http://www.cninfo.com.cn
2018-011	Supplementary Notice of 2018 First Extraordinary General Meeting	30 January 2018	http://www.cninfo.com.cn
2018-012	Announcement on Result of the Issue of 2018 Third Tranche of Super & Short-term Commercial Paper	8 February 2018	http://www.cninfo.com.cn
2018-013	Poll Results Announcement of the 2018 First Extraordinary General Meeting	14 February 2018	http://www.cninfo.com.cn
2018-014	Indicative Announcement	1 March 2018	http://www.cninfo.com.cn
2018-015	Announcement in respect of Resolutions of the Twenty-first Extraordinary Meeting of the Eighth Session of the Board of Directors	10 March 2018	http://www.cninfo.com.cn
2018-016	Announcement on the Distribution of Dividend for Preference Share	14 March 2018	http://www.cninfo.com.cn
2018-017	Announcement on Result of the Issue of 2018 First Tranche of Medium-term Notes	22 March 2018	http://www.cninfo.com.cn
2018-018	Announcement on Pledge of Shares held by Shareholders	22 March 2018	http://www.cninfo.com.cn
2018-019	Announcement on 2018 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	27 March 2018	http://www.cninfo.com.cn
2018-020	Announcement in respect of Resolutions of the Eighth Meeting of the Eighth Session of the Board of Directors	28 March 2018	http://www.cninfo.com.cn
2018-021	2017 Annual Report Summary	28 March 2018	http://www.cninfo.com.cn
2018-022	Announcement on Provision of Guarantee for General Credit Lines of Relevant Subsidiaries	28 March 2018	http://www.cninfo.com.cn
2018-023	Announcement in respect of Resolutions of the Ninth Meeting of the Eighth Session of the Supervisory Committee	28 March 2018	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-024	Notice of 2017 Annual General Meeting	28 March 2018	http://www.cninfo.com.cn
2018-025	Announcement on the Appointment of the auditors for 2018	28 March 2018	http://www.cninfo.com.cn
2018-026	Announcement on the Coupon Rate of 2018 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	28 March 2018	http://www.cninfo.com.cn
2018-027	Announcement on Result of the Issue of 2018 Fourth Tranche of Super & Short-term Commercial Paper	30 March 2018	http://www.cninfo.com.cn
2018-028	Announcement on Entering into the Developmental Financial Cooperation agreement with China Development Bank	2 April 2018	http://www.cninfo.com.cn
2018-029	Announcement on the Receipt of an Arbitral Award by a Subsidiary	2 April 2018	http://www.cninfo.com.cn
2018-030	Announcement on the Result of 2018 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	2 April 2018	http://www.cninfo.com.cn
2018-031	Announcement on Pledge of Shares held by Shareholders	12 April 2018	http://www.cninfo.com.cn
2018-032	Announcement in Respect of Resolutions of the Twenty-Second Extraordinary Meeting of the Eighth Session of the Board of Directors	17 April 2018	http://www.cninfo.com.cn
2018-033	Announcement on the Extension of the Validity Period of the resolutions in Respect of the Non-public Issue of Shares of the Company at the General Meeting and the Validity Period of the Authorisation Granted to the Board to Deal with Related Matters	17 April 2018	http://www.cninfo.com.cn
2018-034	Notice of 2018 Second Extraordinary General Meeting	17 April 2018	http://www.cninfo.com.cn
2018-035	Notice of the 2018 First Domestic Listed Share Class Meeting and 2018 First Overseas Listed Share Class Meeting	17 April 2018	http://www.cninfo.com.cn
2018-036	Announcement in respect of Resolutions of the Ninth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	17 April 2018	http://www.cninfo.com.cn
2018-037	Announcement on External Investment	17 April 2018	http://www.cninfo.com.cn
2018-038	Announcement on the Sale of Available-for-sale Financial Assets	17 April 2018	http://www.cninfo.com.cn
2018-039	Announcement in respect of Resolutions of the Ninth Meeting of the Eighth Session of the Board of Directors	27 April 2018	http://www.cninfo.com.cn
2018-040	2018 First Quarterly Report	27 April 2018	http://www.cninfo.com.cn
2018-041	Announcement on External Investment (I)	27 April 2018	http://www.cninfo.com.cn
2018-042	Announcement on External Investment (II)	27 April 2018	http://www.cninfo.com.cn
2018-043	Announcement on Result of the Issue of 2018 Fifth Tranche of Super & Short-term Commercial Paper	27 April 2018	http://www.cninfo.com.cn
2018-044	Announcement on the Cancellation of the General Meeting and Postponement of the 2017 Annual General Meeting	27 April 2018	http://www.cninfo.com.cn
2018-045	Notice on the Cancellation of the General Meeting and Postponement of the 2017 Annual General Meeting	27 April 2018	http://www.cninfo.com.cn
2018-046	Notice of the 2018 Second Domestic Listed Share Class Meeting and 2018 Second Overseas Listed Share Class Meeting	27 April 2018	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-047	Announcement in respect of Resolutions of the Tenth Meeting of the Eighth Session of the Supervisory Committee	27 April 2018	http://www.cninfo.com.cn
2018-048	Announcement on the Change of the Name of the Controlling Shareholder	3 May 2018	http://www.cninfo.com.cn
2018-049	Announcement in Respect of Resolutions of the Twenty-Third Extraordinary Meeting of the Eighth Session of the Board of Directors	5 May 2018	http://www.cninfo.com.cn
2018-050	Announcement on External Investment	5 May 2018	http://www.cninfo.com.cn
2018-051	Announcement on Resignation of the Vice Chairman	9 May 2018	http://www.cninfo.com.cn
2018-052	Announcement on Result of the Issue of 2018 Sixth Tranche of Super & Short-term Commercial Paper	11 May 2018	http://www.cninfo.com.cn
2018-053	Announcement on Entering into the Framework Agreement for Strategic Cooperation between Banks and Enterprises with Guangdong Nanyue Bank	15 May 2018	http://www.cninfo.com.cn
2018-054	Indicative Announcement	15 May 2018	http://www.cninfo.com.cn
2018-055	Announcement in respect of Resolutions of the Twenty-fourth Extraordinary Meeting of the Eighth Session of the Board of Directors	16 May 2018	http://www.cninfo.com.cn
2018-056	Announcement on Appointment of the Secretary of the Board and Securities Affairs Representative	16 May 2018	http://www.cninfo.com.cn
2018-057	Second Supplementary Notice of the 2018 Second Extraordinary General Meeting	16 May 2018	http://www.cninfo.com.cn
2018-058	Second Supplementary Notice of the 2018 First Domestic Listed Share Class Meeting and 2018 First Overseas Listed Share Class Meeting	16 May 2018	http://www.cninfo.com.cn
2018-059	Announcement on Receipt of Government Subsidy	18 May 2018	http://www.cninfo.com.cn
2018-060	Announcement on Acquisition of Minority Interest in Subsidiaries	24 May 2018	http://www.cninfo.com.cn
2018-061	Announcement on Pledge of Shares held by Shareholders and the Release of Pledge of Part of the Shares	25 May 2018	http://www.cninfo.com.cn
2018-062	Announcement on the Progress of External Investment	29 May 2018	http://www.cninfo.com.cn
2018-063	Announcement on Additional Resolutions Proposed at the 2017 Annual General Meeting	30 May 2018	http://www.cninfo.com.cn
2018-064	Supplementary Notice of 2017 Annual General Meeting	30 May 2018	http://www.cninfo.com.cn
2018-065	Second Supplementary Notice of the 2018 Second Domestic Listed Share Class Meeting and 2018 Second Overseas Listed Share Class Meeting	30 May 2018	http://www.cninfo.com.cn
2018-066	Announcement on Result of the Issue of 2018 Seventh Tranche of Super & Short-term Commercial Paper	30 May 2018	http://www.cninfo.com.cn
2018-067	Announcement on Pledge of Shares held by Shareholders	31 May 2018	http://www.cninfo.com.cn
2018-068	Announcement on the Listing of 2018 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	31 May 2018	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-070	Shandong Chenming Paper Holdings Limited Announcement in respect of Resolutions of the 25th Extraordinary Meeting of the Eighth Session of the Board of Directors	5 June 2018	http://www.cninfo.com.cn
2018-071	Announcement in respect of Resolutions of the Tenth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	5 June 2018	http://www.cninfo.com.cn
2018-072	Announcement on Dilution of Current Returns and Remedial Measures upon Non-public Offering (Fifth Revision)	5 June 2018	http://www.cninfo.com.cn
2018-073	Announcement on Adjustment to the Price Determination Date for the Non-public Issue of A Shares	5 June 2018	http://www.cninfo.com.cn
2018-074	Announcement on Entering into Conditional Share Purchase Agreement and Connected Transactions under the Non-public Offering of A Share (Third Revision)	5 June 2018	http://www.cninfo.com.cn
2018-075	Notice of 2018 Third Extraordinary General Meeting	5 June 2018	http://www.cninfo.com.cn
2018-076	Notice of the 2018 Third Domestic Listed Share Class Meeting and 2018 Third Overseas Listed Share Class Meeting	5 June 2018	http://www.cninfo.com.cn
2018-077	Announcement on Release of Pledge of Shares Held by Shareholders	5 June 2018	http://www.cninfo.com.cn
2018-078	Announcement on Fifth Revision of Non-public Offering for 2016	5 June 2018	http://www.cninfo.com.cn
2018-079	Announcement in Respect of Resolutions of 2017 Annual General Meeting, 2018 Second Class Meeting For Domestic Shareholders and 2018 Second Class Meeting For Overseas Shareholders	14 June 2018	http://www.cninfo.com.cn
2018-080	Shandong Chenming Paper Holdings Limited Announcement in respect of Resolutions of the 26th Extraordinary Meeting of the Eighth Session of the Board of Directors	23 June 2018	http://www.cninfo.com.cn
2018-081	Announcement on New Ordinary Connected Transactions in 2018	23 June 2018	http://www.cninfo.com.cn
2018-082	Announcement on the Disposal of the 40% Equity Interest in Wan Xing Real Estate by Wuhan Chenming	23 June 2018	http://www.cninfo.com.cn
2018-083	Announcement on Supplemental Pledge of Shares held by Shareholders	26 June 2018	http://www.cninfo.com.cn
2018-084	Announcement on Receipt of Government Subsidy	29 June 2018	http://www.cninfo.com.cn
2018-085	Announcement on Additional Resolutions Proposed at the 2018 Third Extraordinary General Meeting	30 June 2018	http://www.cninfo.com.cn
2018-086	Supplemental Notice of 2018 Third Extraordinary General Meeting	30 June 2018	http://www.cninfo.com.cn
2018-087	Announcement on Result of the Issue of 2018 Eighth Tranche of Super & Short-term Commercial Paper	30 June 2018	http://www.cninfo.com.cn
2018-088	Announcement on Progress of Receipt of Government Subsidy	3 July 2018	http://www.cninfo.com.cn
2018-089	Announcement on Supplemental Pledge of Shares held by Shareholders	3 July 2018	http://www.cninfo.com.cn
2018-090	Announcement on Settlement of the 2015 First Tranche of Medium-term Notes	3 July 2018	http://www.cninfo.com.cn
2018-091	Announcement on Result of the Issue of 2018 Ninth Tranche of Super & Short-term Commercial Paper	6 July 2018	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-092	Second Notice of the 2018 Third Extraordinary General Meeting	6 July 2018	http://www.cninfo.com.cn
2018-093	Second Supplementary Notice of the 2018 Third Domestic Listed Share Class Meeting and 2018 Third Overseas Listed Share Class Meeting	6 July 2018	http://www.cninfo.com.cn
2018-094	Announcement on Supplemental Pledge of Shares held by Shareholders	11 July 2018	http://www.cninfo.com.cn
2018-095	Announcement in respect of Resolutions of the 27th Extraordinary Meeting of the Eighth Session of the Board of Directors	12 July 2018	http://www.cninfo.com.cn
2018-096	Announcement on the Debt Transfer of Portion of the Financial Leasing Business in Financial Leasing Companies	12 July 2018	http://www.cninfo.com.cn
2018-097	Announcement on Resolution of the 28th Extraordinary Meeting of the Eighth Session of the Board of Directors	17 July 2018	http://www.cninfo.com.cn
2018-098	Announcement on the Commencement of Financial Leasing Business and Provision of Guarantee of Subsidiary	17 July 2018	http://www.cninfo.com.cn
2018-099	Announcement on Receipt of Financial Support and Related Party Transaction	17 July 2018	http://www.cninfo.com.cn
2018-100	Announcement on Receipt of Government Subsidy	18 July 2018	http://www.cninfo.com.cn
2018-101	Announcement in Respect of Resolutions of 2018 Third Extraordinary General Meeting, 2018 Third Class Meeting For Domestic Shareholders and 2018 Third Class Meeting For Overseas Shareholders	21 July 2018	http://www.cninfo.com.cn
2018-102	Announcement on External Investment	25 July 2018	http://www.cninfo.com.cn
2018-103	Announcement on the Implementation of Dividend Distribution to Holders and Conversion into Share Capital of A Shares and B Shares for 2017	6 August 2018	http://www.cninfo.com.cn
2018-104	Announcement on the Implementation of the Distribution of Residual Profits of 2017 to Preference Shareholders	6 August 2018	http://www.cninfo.com.cn
2018-105	Announcement on the Distribution of Dividend for Second Tranche of Preference Share	9 August 2018	http://www.cninfo.com.cn
2018-106	Announcement on Release of Pledge of Shares held by Shareholders	9 August 2018	http://www.cninfo.com.cn
2018-107	Announcement on Progress of Disposal of Equity in Share Participating Company by Wuhan Chenming(107KB)	9 August 2018	http://www.cninfo.com.cn
2018-108	Announcement on Result of the Issue of 2018 Tenth Tranche of Super & Short-term Commercial Paper	11 August 2018	http://www.cninfo.com.cn
2018-109	Announcement on the Stimulated Conversion Price of Preference Shares	11 August 2018	http://www.cninfo.com.cn
2018-110	Indicative Announcement	14 August 2018	http://www.cninfo.com.cn
2018-111	Announcement on the 2018 Interest Payment of Corporate Bonds (Phase I)	15 August 2018	http://www.cninfo.com.cn
2018-112	Announcement in respect of Resolutions of the 29th Extraordinary Meeting of the Eighth Session of the Board of Directors	18 August 2018	http://www.cninfo.com.cn
2018-113	Announcement in respect of Resolutions of the 11th Extraordinary Meeting of the Eighth Session of the Board of Directors	18 August 2018	http://www.cninfo.com.cn
2018-114	Announcement on the 2016 Non-Public Issue of Shares and Withdrawal of Application Documents	18 August 2018	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-115	Announcement on the Extension of the Expiry Date of the Resolution of the General Meeting in Respect of the Issuance of Corporate Bonds	18 August 2018	http://www.cninfo.com.cn
2018-116	Notice of 2018 Fourth Extraordinary General Meeting	18 August 2018	http://www.cninfo.com.cn
2018-117	Announcement on the Pledge of Shares by Shareholders and Supplemental Pledge of Shares	18 August 2018	http://www.cninfo.com.cn
2018-118	Announcement in respect of Resolutions of the Tenth Meeting of the Eighth Session of the Board of Directors	28 August 2018	http://www.cninfo.com.cn
2018-119	Announcement in respect of Resolutions of the 11th Meeting of the Eighth Session of the Board of Directors	28 August 2018	http://www.cninfo.com.cn
2018-120	2018 Interim Report Summary	28 August 2018	http://www.cninfo.com.cn
2018-121	Announcement on the Commencement of Financial Leasing Business and Provision of Guarantee of Subsidiary	28 August 2018	http://www.cninfo.com.cn
2018-122	Announcement on the Receipt of Notice Regarding Suspension of the Examination Relevant to the Application for Administrative Permission from CSRC	1 September 2018	http://www.cninfo.com.cn
2018-123	Announcement on Release of Pledge of Shares Held by Shareholders	1 September 2018	http://www.cninfo.com.cn
2018-124	Announcement on Increase in Shareholding by the Chairman	3 September 2018	http://www.cninfo.com.cn
2018-125	Indicative Announcement	6 September 2018	http://www.cninfo.com.cn
2018-126	Announcement on Supplemental Pledge of Shares held by Shareholders	5 September 2018	http://www.cninfo.com.cn
2018-127	Announcement on Entering into Strategic Cooperation Agreements with Qingdao Branch of China Merchants Bank and Merchants Securities	7 September 2018	http://www.cninfo.com.cn
2018-128	Announcement on Intended Increase in Shareholding by the Company's Largest Shareholder	11 September 2018	http://www.cninfo.com.cn
2018-129	Announcement in respect of Resolutions of the 30th Meeting of the Eighth Session of the Board of Directors	13 September 2018	http://www.cninfo.com.cn
2018-130	Announcement on the Commencement of Financial Leasing Business and Provision of Guarantee	13 September 2018	http://www.cninfo.com.cn
2018-131	Announcement on the Distribution of Dividend for Third Tranche of Preference Share	14 September 2018	http://www.cninfo.com.cn
2018-132	Second Notice of the 2018 Fourth Extraordinary General Meeting	20 September 2018	http://www.cninfo.com.cn
2018-133	Announcement on External Investment	20 September 2018	http://www.cninfo.com.cn
2018-134	Announcement on the Receipt of an Arbitral Award by a Subsidiary	22 September 2018	http://www.cninfo.com.cn
2018-135	Announcement on the Completion of Industrial and Commercial Registration	27 September 2018	http://www.cninfo.com.cn
2018-136	Poll Results Announcement of the 2018 Fourth Extraordinary General Meeting	10 October 2018	http://www.cninfo.com.cn
2018-137	Announcement in respect of Resolutions of the 31st Extraordinary Meeting of the Eighth Session of the Board of Directors	12 October 2018	http://www.cninfo.com.cn
2018-138	Announcement on the Provision of Guarantee to Wholly-Owned Subsidiary	12 October 2018	http://www.cninfo.com.cn
2018-139	Announcement on Participation in the Acquisition of 45% Equity in Goldtrust Futures	12 October 2018	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-140	Announcement on Change of Financial Controller and Resignation of Representative of Securities Affairs	12 October 2018	http://www.cninfo.com.cn
2018-141	Notice of 2018 Fifth Extraordinary General Meeting	12 October 2018	http://www.cninfo.com.cn
2018-142	Announcement on the Release of Pledge and Supplemental Pledge of Shares held by Shareholders	13 October 2018	http://www.cninfo.com.cn
2018-143	Announcement on the Entering into of the Debt-to-equity Cooperation Framework Agreement with CIBC Investment	18 October 2018	http://www.cninfo.com.cn
2018-144	Indicative Announcement	18 October 2018	http://www.cninfo.com.cn
2018-145	Announcement on Progress of Participation in the Acquisition of 45% Equity in Goldtrust Futures	23 October 2018	http://www.cninfo.com.cn
2018-146	Announcement in respect of Resolutions of the 11th Extraordinary Meeting of the Eighth Session of the Board of Directors	26 October 2018	http://www.cninfo.com.cn
2018-147	Announcement in respect of Resolutions of the 12th Extraordinary Meeting of the Eighth Session of the Board of Directors	26 October 2018	http://www.cninfo.com.cn
2018-148	2018 Third Quarterly Report	26 October 2018	http://www.cninfo.com.cn
2018-149	Announcement on Changes in Accounting Policies	26 October 2018	http://www.cninfo.com.cn
2018-150	Announcement on Pledge of Assets to the Syndicated Loan of Huanggang Chenming	26 October 2018	http://www.cninfo.com.cn
2018-151	Announcement on the Commencement of Financial Leasing Business of Subsidiary	26 October 2018	http://www.cninfo.com.cn
2018-152	Announcement on Result of the Issue of 2018 Eleventh Tranche of Super & Short-term Commercial Paper	31 October 2018	http://www.cninfo.com.cn
2018-153	Announcement on Release of Pledge of Shares held by Shareholders	6 November 2018	http://www.cninfo.com.cn
2018-154	Announcement in respect of Resolutions of the 32nd Extraordinary Meeting of the Eighth Session of the Board of Directors	10 November 2018	http://www.cninfo.com.cn
2018-155	Announcement on the Change and Rotation of the General Manager	10 November 2018	http://www.cninfo.com.cn
2018-156	Announcement on Proposed Introduction of Third-party Investors for Capital Contribution to Certain Subsidiaries	10 November 2018	http://www.cninfo.com.cn
2018-157	Announcement in respect of Resolutions of the Twelfth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	10 November 2018	http://www.cninfo.com.cn
2018-158	Notice of 2018 Sixth Extraordinary General Meeting	10 November 2018	http://www.cninfo.com.cn
2018-159	Second Notice of 2018 Fifth Extraordinary General Meeting	16 November 2018	http://www.cninfo.com.cn
2018-160	Announcement on the Commencement of Production of the Chemical Pulp Project of Huanggang Chenming	27 November 2018	http://www.cninfo.com.cn
2018-161	Announcement in respect of Resolutions of the 33rd Extraordinary Meeting of the Eighth Session of the Board of Directors	1 December 2018	http://www.cninfo.com.cn
2018-162	Announcement on the Commencement of Financial Leasing Business and Provision of Guarantee and Pledge of Assets of the Subsidiary	1 December 2018	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-163	Announcement on Resolution of the 2018 Fifth Extraordinary General Meeting	1 December 2018	http://www.cninfo.com.cn
2018-164	Announcement on the Retirement and Resignation of Employee Representative Supervisor	1 December 2018	http://www.cninfo.com.cn
2018-165	Announcement on Pledge of Shares by Shareholders	8 December 2018	http://www.cninfo.com.cn
2018-166	Supplementary Announcement of 2018 Sixth Extraordinary General Meeting	13 December 2018	http://www.cninfo.com.cn
2018-167	Supplementary Notice of 2018 Sixth Extraordinary General Meeting	13 December 2018	http://www.cninfo.com.cn
2018-168	Announcement on Release of Pledge of Shares Held by Shareholders and Business Continuation	18 December 2018	http://www.cninfo.com.cn
2018-169	Announcement in respect of Resolutions of the 34th Extraordinary Meeting of the Eighth Session of the Board of Directors	21 December 2018	http://www.cninfo.com.cn
2018-170	Announcement on the Introduction of Third-party Investors by Jiangxi Chenming	21 December 2018	http://www.cninfo.com.cn
2018-171	Announcement on the Acquisition of Minority Interest of a Holding Subsidiary	21 December 2018	http://www.cninfo.com.cn
2018-172	Announcement on Result of the Issue of 2018 Twelfth Tranche of Short-term Commercial Paper	21 December 2018	http://www.cninfo.com.cn
2018-173	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	22 December 2018	http://www.cninfo.com.cn
2018-174	Poll Results Announcement of the 2018 Sixth Extraordinary General Meeting	29 December 2018	http://www.cninfo.com.cn

VII Material Matters

XX. Matters of significant of subsidiaries of the Company

√ Applicable Not applicable

1. Disposal of 30% equity interest in Xuchang Chenming

At the eighteenth extraordinary meeting of the eighth session of the Board of the Company held on 27 November 2017, the Resolution on the disposal of 30% equity interest in Xuchang Chenming was considered and approved, pursuant to which the Company proposed to dispose of 30% equity interest in its controlling subsidiary Xuchang Chenming Paper Co., Ltd. (“Xuchang Chenming”) through public tender. For details, please refer to the Announcement on the Disposal of Equity Interest in Xuchang Chenming published by the Company on 28 November 2017 (announcement no.: 2017-147).

2. Receipt of Shanghai Chenming of 30% equity interest in Shanghai Hongtai Real Estate held by Guangdong Dejun

Shanghai Chenming Industry Co., Ltd. and Guangdong Dejun Investment Co., Ltd. entered into the Equity Acquisition Agreement. Based on the appraised value of the total shareholders’ equity of Shanghai Hongtai Real Estate Co., Ltd. of RMB3,908.397 million, Shanghai Chenming proposed to acquire 30% equity interest in and the loan due from Hongtai Real Estate held by Guangdong Dejun at a consideration of RMB1,275,000,000, in which the equity interest amounted to RMB1,171,960,000 and loan amounted to RMB103,040,000.

For details, please refer to the relevant announcement (announcement no.: 2018-007) of the Company published on CNINFO on 30 January 2018.

3. Disposal of 50% equity interest in Guangdong Dejun

Pursuant to the decision approved at the twenty-second extraordinary meeting of the eighth session of the Board of the Company held on 16 April 2018, the Company and Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. (“Shanghai Zhongneng”) entered into the Equity Repurchase Agreement, under which the 50% equity interest in Guangdong Dejun, being the available-for-sale financial asset, to Shanghai Zhongneng, with the aggregate of premium repurchase and investment income amounting to RMB2,634,041,400. The Company received the sum on 28 April 2018. Subsequent to the transfer, the Company no longer held any equity interests in Guangdong Dejun.

2018-038 For details, please refer to the relevant announcement (announcement no.: 2018-038) of the Company published on CNINFO on 17 April 2018.

VII Material Matters

XX. Matters of significant of subsidiaries of the Company (Cont'd)

4. Acquisition of 14.2742% equity interest held by a minority shareholder of Wuhan Chenming

To better advance the strategic development positioning of the Company, optimise the management structure, streamline business layout and further elevate the Company's profitability, the Company intends to acquire 14.2742% equity interest in Wuhan Chenming, a controlling subsidiary of the Company, held by Hubei Hanyang Paper Mill ("Hanyang Paper Mill"), a minority shareholder of Wuhan Chenming, by way of transfer through agreement. In accordance with the result of public tender, the Company received the abovementioned equity interest held by Hanyang Paper Mill at the consideration of RMB60,896,600. Subsequent to the completion of the equity transfer, the Company will hold 65.205% of the equity interest in Wuhan Chenming. For details, please refer to the relevant announcement (announcement no.: 2018-060) of the Company published on CNINFO on 24 May 2018.

5. Disposal of 40% equity interest in Wan Xing Real Estate by Wuhan Chenming

To further integrate the Company's resources, focus its advantages on the principal business and enhance quality and efficiency, Wuhan Chenming Hanyang Paper Holdings Co., Ltd. intends to dispose of 40% equity interest in Wuhan Chenming Wan Xing Real Estate Co., Ltd., an investee, through public tender. The transferee will be determined by way of bidding, and the final price will be determined comprehensively according to the tender and auctioning with reference to the appraisal value.

On 7 August 2018, Wuhan Chenming and Hubei Zheshang Wan Xing Investment Co., Ltd. entered into the Equity Transaction Agreement on Hubei Equity Investment Transfer for a consideration of RMB131.60 million.

For details, please refer to the relevant announcement (announcement no.: 2018-082 and 2018-107) of the Company published on CNINFO on 23 June 2018 and 9 August 2018.

6. Announcement on the Commencement of Production of the Chemical Pulp Project of Huanggang Chenming

The 300,000-tonne chemical pulp project of Huanggang Chenming Pulp & Paper Co., Ltd. was considered and approved at the 2013 first extraordinary general meeting of the Company. The project, having gone through multiple discussions and adjustments in order to meet the requirements for ecological environment development of the Yangtze River Economic Zone, commenced production on 13 November 2018.

For details, please refer to the relevant announcement (announcement no.: 2018-160) of the Company published on CNINFO on 27 November 2018.

7. Announcement on the Introduction of Third-party Investors by Jiangxi Chenming

In order to actively yet prudently lower the Company's gearing ratio, optimise its capital structure, promote its comprehensive capital strength, Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, intended to commence market-based and legal debt-to-share business with China Zheshang Bank Co., Ltd. Western Trust Co., Ltd. (西部信託有限公司), a co-operating practicing entity of China Zheshang Bank, increased the capital of Jinagxi Chenming by RMB500 million. In consideration of the operating situation of Jiangxi Chenming and the overall strategies of the Company, Chenming Paper, a shareholder of Jiangxi Chenming, and Chenming (HK) Limited, a subsidiary of Chenming Paper, will forfeit the rights of preferential subscription of capital contribution in the capital increase.

For details, please refer to the relevant announcement (announcement no.: 2018-170) of the Company published on CNINFO on 20 December 2018.

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	
	Amount	Percentage	New issue	Bonus issue	Shares Converted		Subtotal	Amount	Percentage
					from reserves	Others			
I. Restricted shares	7,935,101	0.41%	0	0	3,967,550	79,991	4,047,541	11,982,642	0.41%
Shares held by other domestic investors	7,935,101	0.41%	0	0	3,967,550	79,991	4,047,541	11,982,642	0.41%
Shares held by domestic natural persons	7,935,101	0.41%	0	0	3,967,550	79,991	4,047,541	11,982,642	0.41%
II. Non-restricted shares	1,928,470,366	99.59%	0	0	964,235,183	-79,991	964,155,192	2,892,625,558	99.59%
1. RMB ordinary shares	1,105,389,555	57.08%	0	0	552,694,778	-79,991	552,614,787	1,658,004,342	57.08%
2. Domestic listed foreign shares	470,877,311	24.32%	0	0	235,438,655	0	235,438,655	706,315,966	24.32%
3. Overseas listed foreign shares	352,203,500	18.19%	0	0	176,101,750	0	176,101,750	528,305,250	18.19%
III. Total number of shares	1,936,405,467	100.00%	0	0	968,202,733	0	968,202,733	2,904,608,200	100.00%

The reasons for such changes

Applicable Not applicable

Pursuant to the profit distribution plan of the Company for 2017 approved at the 2017 annual general meeting, based on the total ordinary share capital of 1,936,405,467 shares as at the end of 2017, a cash dividend of RMB6.00 (tax inclusive) per 10 shares was distributed to all shareholders and a capitalisation issue to ordinary shareholders was made out of the capital reserves of 5 shares for every 10 shares held. Upon completion of the plan on 10 August 2018, the total share capital of the Company increased from 1,936,405,467 shares to 2,904,608,200 shares.

2. According to the Practice Guidance for the Company's Shares Held by the Directors, Supervisors and Senior Management of the Listed Companies of Shenzhen Stock Exchange, during the reporting period, 75,000 RMB ordinary shares (A shares) without restriction additionally acquired by Directors were put under restriction; and 4,991 RMB ordinary shares (A shares) without restriction additionally acquired by Directors and Senior Management were put under restriction.

Approval of changes in shareholding

Applicable Not applicable

The Plan of conversion of capital reserve into share capital was considered and approved on 13 June 2018 in the 2017 annual general meeting, the 2018 second domestic listed share class meeting and 2018 second overseas listed share class meeting. For details, please see the relevant announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, Hong Kong Commercial Daily and CNINFO (www.cninfo.com.cn) on 14 June 2018 and on the website of the Stock Exchange (www.hkex.com.hk) on 14 June 2018.

Transfer of shares arising from changes in shareholding

Applicable Not applicable

VIII Changes in Share Capital and Shareholders

I. Changes in shares (Cont'd)

1. Changes in shares (Cont'd)

Progress of share repurchase

Applicable Not applicable

Progress of decrease in the holding of repurchased shares by way of bidding

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

	Before changes in share capital	After changes in share capital
Total share capital	1,936,405,467	2,904,608,200
Basic earnings per share (RMB/share)	0.765	0.51
Diluted earnings per share (RMB/share)	0.765	0.51
Net assets per share attributable to shareholders of the Company	12.94	8.62

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

Applicable Not applicable

VIII Changes in Share Capital and Shareholders

I. Changes in shares (Cont'd)

2. Changes in restricted shares

Applicable Not applicable

Unit: share

Name of shareholders	Restricted shares at the beginning of period	Restricted shares released during the period	Restricted shares increased during the period	Restricted shares at the end of period	Reason for restriction	Date of release from restriction
CHEN Hongguo	5,022,222	0	2,586,111	7,608,333	Locked up by senior management	Under relevant requirements for shares held by senior management
HU Changqing	0	0	1,857	1,857	Locked up by senior management	Under relevant requirements for shares held by senior management
GENG Guanglin	328,075	0	164,038	492,113	Locked up by senior management	Under relevant requirements for shares held by senior management
LI Feng	353,863	0	176,931	530,794	Locked up by senior management	Under relevant requirements for shares held by senior management
LI Dong	7,500	0	3,750	11,250	Locked up by senior management	Under relevant requirements for shares held by senior management
LI Weixian	0	0	3,599	3,599	Locked up by senior management	Under relevant requirements for shares held by senior management
LI Xueqin	322,011	0	161,005	483,016	Locked up by senior management	Under relevant requirements for shares held by senior management
YIN Tongyuan	1,817,730	0	908,865	2,726,595	Resignation	18 November 2019
XIAO Peng	83,700	0	41,850	125,550	Resignation	18 November 2019
Total	7,935,101	0	4,048,006	11,983,107	—	—

II. Issuance and listing of securities

1. Issuance of securities (excluding preference shares) during the reporting period

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

The 2017 dividend distribution plan of the Company is: based on the total share capital as at the end of 2017 of 1,936,405,467 shares, a cash dividend of RMB6.00 (tax inclusive) was to be paid to all shareholders and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held will be distributed to ordinary shareholders. Upon the completion of the plan on 10 August 2018, the total capital of the Company increased from 1,936,405,467 to 2,904,608,200.

3. Existing staff shares

Applicable Not applicable

VIII Changes in Share Capital and Shareholders

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	120,930, of which 100,438 were holders of A shares, 20,124 were holders of B shares and 368 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	120,878 of which 100,369 were holders of A shares, 20,141 were holders of B shares and 368 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
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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-restrict shares held	Share pledged or locked-up Status of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.29%	444,146,128	4,640,643	—	444,146,128	Pledge	312,844,850
HKSCCNOMINEESLIMITED	Overseas legal person	12.85%	373,287,875	-13,000	—	373,287,875	—	—
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.54%	364,131,563	—	—	364,131,563	—	—
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	60,206,850	—	—	60,206,850	—	—
NATIONAL SOCIAL SECURITY FUND 418	Others	0.64%	18,648,662	18,648,662	—	18,648,662	—	—
Agricultural Bank of China Limited - CHINA CSI 500 ETF	Others	0.49%	14,166,450	8,504,574	—	14,166,450	—	—
CHINA UNIVERSAL FUND - CHINA CONSTRUCTION BANK - CHINA LIFE INSURANCE - CHINA LIFE INSURANCE'S EQUITY PORTFOLIO								
ENTRUSTED TO CHINA UNIVERSAL FUND	Others	0.47%	13,701,360	11,978,760	—	13,701,360	—	—
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	12,912,357	—	—	12,912,357	—	—
JIN Xing	Domestic nature person	0.40%	11,724,750	3,040,950	—	11,724,750	—	—
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.38%	10,997,408	1,865,300	—	10,997,408	—	—

Related party relationship or acting in concert 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. 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)

Name of shareholders	Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
Shareholdings of the top ten shareholders of non-restricted shares			
CHENMING HOLDINGS COMPANY LIMITED	444,146,128	RMB ordinary shares	444,146,128
HKSCC NOMINEES LIMITED	373,287,875	Overseas listed foreign shares	373,287,875
CHENMING HOLDINGS (HONG KONG) LIMITED	364,131,563	Overseas listed foreign shares	210,717,563
		Overseas listed foreign shares	153,414,000
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	60,206,850	RMB ordinary shares	60,206,850
NATIONAL SOCIAL SECURITY FUND 418	18,648,662	RMB ordinary shares	18,648,662
Agricultural Bank of China Limited - CSI500 Index Open-ended Fund	14,166,450	RMB ordinary shares	14,166,450
CHINA UNIVERSAL FUND - CHINA CONSTRUCTION BANK - CHINA LIFE INSURANCE - CHINA LIFE INSURANCE'S EQUITY PORTFOLIO ENTRUSTED TO CHINA UNIVERSAL FUND	13,701,360	RMB ordinary shares	13,701,360
VANGUARD EMERGING MARKETS STOCK INDEX FUND	12,912,357	Domestic listed foreign shares	12,912,357
JIN Xing	11,724,750	Domestic listed foreign shares	11,724,750
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	10,997,408	Domestic listed foreign shares	10,997,408
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. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.		
Securities margin trading of top 10 ordinary shareholders, if any (see Note 4)	Chenming Holdings Company Limited held 444,146,128 RMB ordinary shares, of which 393,146,128 shares were held through ordinary account and 51,000,000 shares were held through credit guarantee security account.		

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

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

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.

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
CHENMING HOLDINGS COMPANY LIMITED	Chen Hongguo	30 December 2005	78348518-9	Investment in paper making, electricity, heat and arboriculture by its own capital

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, 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 in the controlling shareholders of the Company during the reporting period.

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

3. Beneficial controller of the Company and persons acting in concert

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

Type of the beneficial controller: legal person

Name of beneficial controller	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 controller 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.

Change of beneficial controller during the reporting period

Applicable Not applicable

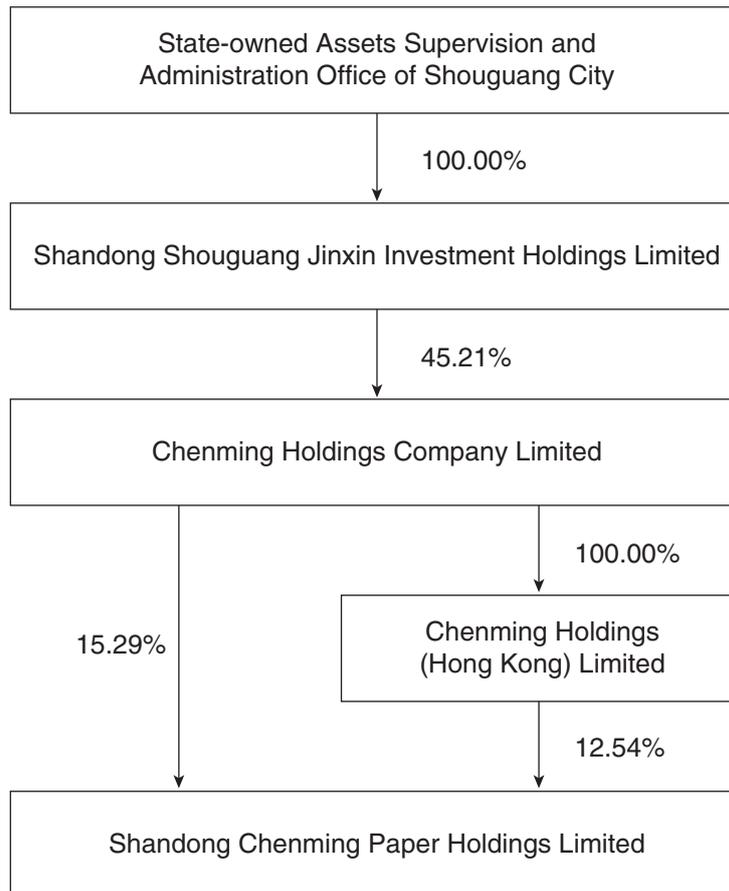
There was no change in the beneficial owner of the Company during the reporting period.

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

3. Beneficial controller of the Company and persons acting in concert (Cont'd)

Chart illustrating the relationship between the Company and the beneficial controller



Beneficial controller 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 controller, reorganising party and other undertaking parties

Applicable Not applicable

IX Preference Shares

√ Applicable □ Not Applicable

I. Issue and listing of preference shares during the past three years at the end of the reporting period

√ Applicable □ Not Applicable

Method	Issue date	Issue price (RMB/share)	Coupon rate	Issue size (share)	Listing date	With listing permission (share)	Delisting date	Information of use of proceeds	Information of changes to proceeds
Private	16 March 2016	100	4.36%	22,500,000	8 April 2016	22,500,000	Not applicable	http://www.cninfo.com.cn	Not applicable
Private	16 August 2016	100	5.17%	10,000,000	12 September 2016	10,000,000	Not applicable	http://www.cninfo.com.cn	Not applicable
Private	21 September 2016	100	5.17%	12,500,000	24 October 2016	12,500,000	Not applicable	http://www.cninfo.com.cn	Not applicable

II. Holders of preference shares and their shareholdings

Unit: share

Total number of shareholders of preference shares as at the end of the reporting period	7	Total number of shareholders of preference shares as at the end of the month prior to the publication date of this annual report	7
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Holders holdings more than 5% of the preference shares of the Company or top ten holders of preference shares

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
BEIJING YIBEN ZHONGXING INVESTMENT MANAGEMENT CO., LTD.	Domestic non-state-owned legal person	27.78%	12,500,000	—	—	12,500,000	Pledged	12,500,000
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000	—	—	10,100,000	—	—
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000	—	—	6,400,000	—	—
QILU BANK CO., LTD. - QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	13.33%	60,000,000	—	—	6,000,000	—	—
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	11.11%	5,000,000	—	—	5,000,000	—	—
SHANGHAI STATE-OWNED ASSETS OPERATION CO., LTD.	State-owned legal person	6.67%	3,000,000	—	—	3,000,000	—	—
NCF - MINSHENG BANK - CHINA FORTUNE INTERNATIONAL TRUST - CHINA FORTUNE TRUST • MIN XIN NO. 11 SINGLE CAPITAL TRUST	Others	4.44%	20,000,000	—	—	2,000,000	—	—

Connected relationship or connected party relationship among the top ten holders of preference shares, and between the top ten holders of preference shares and the top ten holders of ordinary shares

The aforesaid holders of preference shares, “BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST” and “BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST”, are persons acting in concert. Save for the above, it is not aware that the remaining holders of preference shares are persons acting in concert, and it is also not aware whether there is any connected relationship between the above holders of preference shares and top ten holders of ordinary shares.

IX Preference Shares

III. Profit distribution for preference shares

Applicable Not Applicable

Profit distribution for preference shares during the reporting period

Applicable Not Applicable

Date of Distribution	Dividend Ratio	Distributed amount (RMB) (tax inclusive)	Whether it is in compliance with the conditions and the relevant procedures of distribution	Way of dividend payment	Whether it was an accumulated dividend	Whether it participates in distribution of remaining profit
19 March 2018	4.36%	98,100,000.00	Yes	Cash	No	Yes
10 August 2018	10.33%	464,716,006.88	Yes	Cash	No	Yes
16 August 2018	5.17%	51,700,000.00	Yes	Cash	No	Yes
21 September 2018	5.17%	64,625,000.00	Yes	Cash	No	Yes

IX Preference Shares

III. Profit distribution for preference shares (Cont'd)

Distribution for preference shares of the Company for the past three years

Unit: RMB

Year of distribution	Distributed amount (tax inclusive)	Net profit attributable to shareholders of listed company under the consolidated financial statements for the distribution year	Percentage to the net profit attributable to shareholders of listed company under the consolidated financial statements	Explanation on shortfall accumulated to the next accounting year due to insufficient distributable profits or portion can be allocated to remaining profit distribution
2018	493,494,767.52	2,509,928,858.47	19.66%	Chenming You 01, Chenming You 02 and Chenming You 03 participated in the proposal of remaining profit distribution for RMB279,069,767.52 in 2018.
2017	679,141,006.88	3,769,325,450.93	18.02%	Chenming You 01, Chenming You 02 and Chenming You 03 participated in the remaining profit distribution for RMB464,716,006.88 in 2017.
2016	119,277,108.41	1,998,578,788.75	5.97%	Chenming You 01 participated in the remaining profit distribution for RMB119,277,108.41 in 2016.

Any adjustment or change in profit distribution policy for preference shares

Yes No

Both earnings of the Company and retained profit of the parent company are positive during the reporting period but without profit distribution for preference shares

Applicable Not applicable

IX Preference Shares

III. Profit distribution for preference shares *(Cont'd)*

Explanation on other matters regarding distribution for preference shares

Applicable Not applicable

Shareholders of preference shares participate in profit distribution in two portions, namely the fixed dividend distributed based on a fixed dividend rate and the distribution of retained earnings realised for the year.

1. Distribution of fixed dividend

According to the Articles of Association, the Company shall distribute fixed dividends to holders of the preference shares at fixed dividend rate if there are distributable profits after making good losses and the contribution to reserve fund according to law. The Board is authorised by the general meeting to declare and pay all dividends on the preference shares in accordance with the issuance plan under the framework and principles considered and approved in the general meeting in respect of the preference shares. The general meeting of the Company has the right to cancel part of or all of the current dividends on the preference shares. However, when the general meeting of the Company will consider the cancellation of part of or all of the current dividends on the preference shares, the Company shall inform the shareholders of preference shares at least 10 working days before the date of dividend payment in accordance with the requirements of the related authorities.

2. Participation in the distribution of retained earnings realised for the year

Holders of preference shares participate in the distribution of the retained earnings through receipt of cash which is non-cumulative and non-deferrable. In the event of making good losses and the contribution to reserve fund according to law, after receiving fixed dividends at fixed dividend rate as agreed, holders of preference shares can also participate in the distribution of the retained earnings for the year in proportion. Specific terms are as follows: the retained earnings for the year arises from net profit attributable to owners of the parent company on a consolidated basis upon distribution of relevant fixed income to holders of financial instruments such as the preference shares which may be classified under equity. 50% of the retained earnings shall be distributed to holders of preference shares and ordinary shareholders. Holders of preference shares shall participate in the distribution of the retained earnings by receiving cash dividends, and the ordinary shareholders shall participate in the distribution of the retained earnings by receiving cash dividends or dividends on ordinary shares.

IX Preference Shares

IV. Repurchase or conversion

Applicable Not applicable

There was no repurchase or conversion during the reporting period.

V. Resumption of voting rights of preference shares

1. Resumption and exercise of voting rights

Applicable Not applicable

2. Shareholders and beneficial owner involved in resumption of voting rights of preference shares

Applicable Not applicable

VI. Accounting policy and reasons thereof

Applicable Not applicable

Pursuant to requirements of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments and Provisions for Differentiation between Financial Instruments and Equity Instruments and Relevant Accounting Treatment, the preference shares were accounted for as equity instruments as their terms satisfied requirements for such treatments.

X Directors, Supervisors and Senior Management and Staff

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

Name	Position	Status	Gender	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	In office	M	54	6 September 2001	18 May 2019	6,696,296	100,000		3,348,148	10,144,444
Hu Changqing	Vice Chairman	In office	M	53	23 June 2018	18 May 2019	1,238			619	1,857
Li Weixian	General manager	In office	M	37	9 November 2018	18 May 2019				4800	4,800
Geng Guanglin	Director	In office	M	45	27 May 2009	18 May 2019	437,433			218,717	656,150
Li Feng	Director	In office	M	45	19 April 2006	18 May 2019	471,818			235,909	707,727
Chen Gang	Director	In office	M	46	14 June 2018	18 May 2019					
Zhang Hong	Director	In office	F	54	12 April 2010	18 May 2019					
Yang Guihua	Director	In office	F	53	9 May 2014	18 May 2019					
Pan Ailing	Independent Director	In office	F	54	15 May 2013	18 May 2019					
Wang Fengrong	Independent Director	In office	F	50	18 May 2016	18 May 2019					
Huang Lei	Independent Director	In office	M	62	18 May 2016	18 May 2019					
Liang Fu	Independent Director	In office	F	51	18 May 2016	18 May 2019					
Li Dong	Chairman of Supervisory Committee	In office	M	36	13 December 2016	18 May 2019	10,000			5,000	15,000
Sun Yinghua	Supervisor	In office	F	50	18 May 2016	18 May 2019					
Zhang Xiaofeng	Supervisor	In office	M	41	18 May 2016	18 May 2019					
Dong Lianming	Financial controller	In office	M	44	12 October 2018	18 May 2019					
Li Xueqin	Deputy general manager	In office	F	53	1 September 2004	18 May 2019	429,348			214,674	644,022
Li Zhenzhong	Deputy general manager	In office	M	45	20 March 2011	18 May 2019					
Yang Weiming	Deputy general manager	In office	M	44	18 May 2016	15 March 2019					
Zhang Qingzhi	Deputy general manager	In office	M	53	18 May 2016	18 May 2019					
Poon Shiu Cheong	Company secretary and qualified accountant	In office	M	49	28 May 2008	18 May 2019					
Yuan Xikun	Secretary to the Board	In office	M	33	16 May 2018	18 May 2019					
Yin Tongyuan	Vice Chairman	Resigned	M	61	6 September 2001	8 May 2018	2,423,640			1,211,820	3,635,460
Yang Hongqin	Supervisor	Resigned	F	51	30 April 2007	29 December 2018					
Xiao Peng	Secretary to the Board	Resigned	M	36	16 November 2016	18 January 2018	111,600		18,750	55,800	148,650
Hu Jinbao	Financial controller	Resigned	M	52	16 November 2016	11 October 2018					

X Directors, Supervisors and Senior Management and Staff

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

Applicable Not applicable

Name	Position	Type	Date	Reason
Hu Changqing	Vice Chairman	Elected	23 June 2018	Elected as the Vice Chairman of the eighth session of the Board.
Chen Gang	Director	Elected	14 June 2018	Elected as a director of the eighth session of the Board.
Xiao Peng	Secretary to the Board	Dismissed	19 January 2018	Resigned as the secretary to the Board due to personal work change.
Yuan Xikun	Secretary to the Board	Appointed	16 May 2018	Appointed by the Board as the Secretary to the Board.
Li Weixian	General manager	Appointed	10 November 2018	Appointed by the Board as the general manager (subject to retire by rotation).
Dong Lianming	Financial controller	Appointed	11 October 2018	Appointed by the Board as the financial controller.
Yin Tongyuan	Vice Chairman	Resigned	9 May 2018	Reaching the statutory retirement age.
Hu Jinbao	Financial Controller	Dismissed	11 October 2018	Resigned as the Financial Controller due to personal work change.
Yang Hongqin	Vice Chairman	Resigned	1 December 2018	Reaching the statutory retirement age.

X Directors, Supervisors and Senior Management and Staff

III. Employment

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

1. Brief biographies of Directors

(1) Brief biographies of executive Directors

Mr. Chen Hongguo, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1987, had held different positions including chief officer of manufacturing section, chief officer of branch factory, the chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd., deputy general manager, director and general manager of the Company etc. He is currently the chairman of the Company and the chairman and general manager of Chenming Holdings Company Limited. Mr. Chen Hongguo is the spouse of Ms. Li Xueqin, a deputy general manager of the Company.

Mr. Hu Changqing, with Chinese nationality but without the right of permanent residence abroad. He 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 director of Chenming Holdings Company Limited, a vice chairman of the Company.

Mr. Geng Guanglin, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1992, had held different positions including the chief officer of manufacturing section of the Company, the chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd., the chairman of Jilin Chenming Paper Co., Ltd., the chairman of Jiangxi Chenming Paper Co., Ltd., the director of Chenming Holdings Company Limited and the general manager of the Company. He is currently the Director and the deputy general manager of the Company

Mr. Li Feng, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1992, had held different positions including the chief officer of manufacturing section and assistant to the general manager of the Company, deputy general manager and chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd.. He is currently the Director 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. Chen Gang, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1992, had held different positions including the chief officer of branch factory, general manager of Zhanjiang Chenming, general manager of Jilin Chenming, department head of Jiangxi Chenming, production assistant director of the Company and production deputy director of the Company. He is currently the Director of the Company.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

1. Brief biographies of Directors (Cont'd)

(2) Brief biographies of non-executive Directors

Ms. Yang Guihua, with Chinese nationality but without the right of permanent residence abroad, is a doctor of engineering, an advisor to doctoral students and a candidate for the Ten Million Talents Project (百千萬人才工程國家級人選). Ms. Yang is a professor of Qilu University of Technology, a standing director of Shandong Technical Association of Paper Industry, a committee member of Nano and Composite Materials Committee of China Technical Association of Paper Industry (中國造紙學會納米纖維素及複合材料專業委員會) and evaluation experts in National Natural Science Foundation of China. She has served as a non-executive Director of the Company since May 2014.

Ms. Zhang Hong, with Chinese nationality but without the right of permanent residence abroad, holds a doctoral degree in Economics. She is currently a professor and advisor to doctoral students at Shandong University, head of a multinational corporation research institute, a non-practising member of the Chinese Institute of Certified Public Accountants, a director of China Association of International Trade, a director of Shandong Province External Trade Association, an independent director of Shandong Zhangqiu Blower Co., Ltd., an independent director of Shandong Delisi Food Co., Ltd. and an independent director of Cisen Pharmaceutical Co., Ltd.. She has served as a non-executive Director of the Company since April 2010.

(3) Brief biographies of independent non-executive Directors

Ms. Pan Ailing, with Chinese nationality but without the right of permanent residence abroad, is currently a professor of the School of Management, and the chief of the Investment and Financing Research Centre (投融資研究中心) in Shandong University. 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, and a visiting scholar at University of Connecticut in the United States. 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.

Ms. Wang Fengrong, with Chinese nationality but without the right of permanent residence abroad, is a Ph.D. in Economics and a visiting scholar at West Virginia University in the United States. She was previously a lecturer at the Department of Finance of Shandong Economic University (山東經濟學院財金系) and an associate professor at the Economic Research Center of Shandong University (山東大學經濟研究中心). She currently holds positions including professor and advisor to doctoral students at the Economic Research School of Shandong University (山東大學經濟研究院) and Shandong School of Development at Shandong University (山東大學山東發展研究院), evaluation experts in both National Social Science Fund and National Natural Science Foundation of China, guest analyst regarding policy implementation of currency and credit matters for the Jinan branch of the People's Bank of China, as well as the executive director of Shandong Young Social Science Workers Association (山東省青年社會科學工作者協會). She concurrently serves as an independent director of Shandong Xinneng Taishan Power Generation Co., Ltd. (山東新能泰山發電股份有限公司) and Shandong Denghai Seeds Co., Ltd.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

1. Brief biographies of Directors (Cont'd)

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

Mr. Huang Lei, with Chinese nationality but without the right of permanent residence abroad, is a Ph.D. in Economics. He was the chief of the Department of Finance and the dean of School of Finance in Shandong University of Finance (山東財政大學). He currently holds the positions including the professor of School of Finance in Shandong University of Finance and Economics, the director of the professor committee and the deputy director of the academic committee of Shandong University of Finance and Economics, a member of the Guiding Committee on Education of Financial Majors (金融學類專業教學指導委員會) of the Ministry of Education, a deputy director of the Collaborative Innovation Centre for Financial Optimisation and Regional Development in Shandong (山東金融產業優化與區域管理協同創新中心), a director of the Taishan Capital Market Research Center (泰山資本市場研究中心) of the Shandong University of Finance and Economics, a director of the Shandong Capital Market Training Base (山東資本市場人才培訓基地) as well as an independent director of Wanjia Asset Management Co., Ltd.

Ms. Liang Fu, with Chinese nationality but without the right of permanent residence abroad, is a Ph.D. in management, 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) and a visiting scholar at Tsinghua University. She concurrently holds the positions including a professor and an advisor to doctoral students of the business school of Shandong University of Finance and Economics, a visiting professor at Shandong Youth University of Political Science, an evaluation expert in National Social Science Fund, a director of Talents Research Association of Shandong Higher Education (山東省高等教育人才研究會), a director of Shandong Economic Association (山東省經濟學會), an executive director of Shandong Management Association (山東省管理學會) and an external director of Shandong Steel Group Co., Limited.

2. Brief biographies of Supervisors

Mr. Li Dong, with Chinese nationality but without the right of permanent residence abroad. After joining the Company in 2004, he had held different positions including the deputy chief of cost auditing section and the chief of general section under the financial department of the Company, the financial controller of Zhanjiang Chenming and the chief of financial department of the Group. He is currently the director and deputy general manager of Chenming Holdings Company Limited and the chairman of the supervisory committee of the Company.

Ms. Sun Yinghua, with Chinese nationality but without the right of permanent residence abroad, is an associate economist. She joined the Company in 1993, serving as price audit officer, audit director and other positions of the Company, and is currently an assistant to the general manager of the Company responsible for the audit department.

Mr. Zhang Xiaofeng, with Chinese nationality but without the right of permanent residence abroad, graduated from the School of Management of Shandong University with a doctorate's degree and his research direction was corporate strategies and corporate governance, traditional culture and modern management, etc. He currently serves as an associate professor of the Business Management Discipline and the deputy head of the Department of Business Management in the School of Management of Shandong University, offering management courses for undergraduate, MBA, EDP and EMBA students for a long time as well as providing training to large enterprises both inside and outside the province for hundreds of times. He concurrently holds positions including the committee member of the Professional Committee of Corporate Governance in the PRC (中國公司治理專業委員會), the part-time case researcher of China Europe International Business School and the secretary general of Shandong Young Social Science Workers Association (山東省青年社會科學工作者協會).

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

3. Brief biographies of Senior Management

Mr. Li Weixian, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 2002, had held different positions including the deputy manager of a Shenzhen coated paper subsidiary of the Company, manager of Shandong Chenming Paper Sales Company Limited, vice chairman of a household paper company, deputy marketing director and marketing director of a sales company and vice president of a group. He is currently the deputy general manager of the Company.

Ms. Li Xueqin, with Chinese nationality but without the right of permanent residence abroad, is a deputy general manager of the Company. She joined the Company in 1987 and held the positions of the chief of audit department, deputy general manager, etc. Ms. Li has been a deputy general manager of the Company and a director of Chenming Holdings Company Limited since March 2003. Ms. Li Xueqin is the spouse of Mr. Chen Hongguo, chairman of the Company.

Mr. Li Zhenzhong, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1995. He had served as principal representative of the Shanghai management region of a sales company, sales manager of light weight coated cultural paper products. He is currently a deputy general manager of the Company and deputy marketing director of the Sales Company.

Mr. Zhang Qingzhi, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1982 and had held positions as the chief officer of branch factory, head of the production department, assistant to the general manager and vice production director. He is currently a deputy general manager of the Company.

Mr. Dong Lianming, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1997 and had held positions as the chief of accounting and auditing section under the financial department of the Company, the deputy chief and chief of the financial department, chief accountant of Jiangxi Chenming, chief accountant of Shandong Chenming Panels, financial controller and deputy general manager of Zhanjiang Chenming and assistant to general manager of the Company. He is currently the financial controller of the Company.

Mr. Yuan Xikun, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 2010 and had held positions as the accountant for consolidated financial statements in the financial department of the Company, security affairs specialist, manager of disclosure department, chief of the security investment section. He is currently the secretary to the Board 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.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

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

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 the shareholder of the Company
Chen Hongguo	Chenming Holdings Company Limited	Chairman and general manger	22 September 2016	29 December 2020	No
Hu Changqing	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2020	No
Li Xueqin	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2020	No
Li Dong	Chenming Holdings Company Limited	Director	29 December 2017	29 December 2020	Yes
Explanation of the employment at the shareholder of the Company	Nil				

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

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

Employment at other units

Applicable Not Applicable

Name of employee	Name of other units	Position at the other units	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from other units
Zhang Hong	Shandong Zhangqiu Blower Co., Ltd.	Independent director	12 July 2015	11 July 2018	Yes
	Shandong Delisi Food Co., Ltd.	Independent director	26 September 2017	25 September 2020	Yes
	Cisen Pharmaceutical Co., Ltd.	Independent director	28 November 2017	27 November 2020	Yes
Pan Ailing	Sinotruk Jinan Truck Co., Ltd.	Independent director	28 April 2017	27 April 2020	Yes
	Inspir Software Co., Ltd.	Independent director	19 April 2017	18 April 2020	Yes
	Lu Thai Textile Co., Limited	Independent director	6 June 2016	5 June 2019	Yes
Wang Fengrong	Shandong Xinneng Taishan Power Generation Co., Ltd.	Independent director	23 May 2017	22 May 2020	Yes
	Shandong Denghai Seeds Co., Ltd.	Independent director	12 May 2016	11 May 2019	Yes
Huang Lei	Wanjia Asset Management Co., Ltd.	Independent director	16 October 2015	15 October 2018	Yes
	Shandong Road and Bridge Group Co., Ltd.	Independent director	29 December 2016	28 December 2019	Yes
Liang Fu	Shandong Steel Group Co., Limited	External director	13 September 2017	13 September 2020	Yes
Explanation of the employment at the other unit	The twenty-ninth meeting of third session of the board of Shandong Zhangqiu Blower Co., Ltd. held on 1 March 2019 had considered and passed the resolution in relation to the re-election of the board. Zhang Hong, the independent director of the Company was nominated as the independent director of the fourth session of the board of Shandong Zhangqiu Blower. Such nomination is subject to the approval in the first extraordinary general meeting of Shandong Zhangqiu Blower in 2019 which will be convened on 27 March 2019.				

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

X Directors, Supervisors and Senior Management and Staff

IV. Remuneration of Directors, Supervisors and Senior Management

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

- (1) Determination basis for remuneration of Directors, Supervisors and the Senior Management: The annual remuneration of each of the executive Directors and the Senior Management of the Company was in the band of RMB0.20 million to 5.00 million and the specific amount for each of them was determined by the remuneration 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 the 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 the Senior Management. During the reporting period, the Company paid each of the independent non-executive Directors and non-executive Directors of the Company allowance of RMB120,000 (before 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 nonexecutive Directors and non-executive Directors are reimbursed as expensed. The annual remuneration of Supervisors assuming specific managerial duties in the Company were determined by the general manager office of the Company based on specific managerial duties assumed by them. Fixed annual remuneration policy was adopted on external Supervisors who did not hold actual management positions in the Company. During the reporting period, the remuneration of external Supervisors was RMB25,000 (before tax).
- (2) Decision process for remuneration of Directors, Supervisors and Senior Management: In accordance with the relevant policies and regulations such as the Implementation Rules Of The Remuneration And Assessment Committee Under The Board, any remuneration plan for the Company's executive Directors proposed by the remuneration and assessment committee shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation. Any proposal of remuneration distribution plan for the Senior Management officers of the Company shall be submitted to the Board for approval. The remuneration of independent non-executive directors, non-executive directors and external supervisors of the Company shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation.
- (3) The remuneration and assessment committee, which was set up by the Board according to the resolution of the general meeting, is mainly responsible to formulate the standards of, carry out appraisal in respect of the non-independent Directors and Senior Management of the Company; formulate and examine the remuneration policy and scheme of the non-independent Directors and Senior Management of the Company, and accountable to the Board.

X Directors, Supervisors and Senior Management and Staff

IV. Remuneration of Directors, Supervisors and Senior Management (Cont'd)

Remuneration of Directors, Supervisors and Senior Management during the reporting period

Unit: RMB'0,000

Name	Position	Gender	Age	Status	Total remuneration before tax received from the Company	Received remuneration from related parties of the Company
Chen Hongguo	Chairman	M	54	In office	499.00	No
Hu Changqing	Vice-chairman	M	53	In office	200.00	No
Geng Guanglin	Director, Deputy general manager	M	45	In office	154.21	No
Chen Gang	Director	M	46	In office	186.09	No
Li Feng	Director	M	46	In office	140.41	No
Zhang Hong	Director	F	54	In office	12.00	No
Yang Guihua	Director	F	53	In office	12.00	No
Pan Ailing	Independent Director	F	54	In office	12.00	No
Wang Fengrong	Independent Director	F	50	In office	12.00	No
Huang Lei	Independent Director	M	62	In office	12.00	No
Liang Fu	Independent Director	F	51	In office	12.00	No
Li Dong	Chairman of Supervisory Committee	M	36	In office	-	Yes
Zhang Xiaofeng	Supervisor	M	41	In office	2.50	No
Sun Yinghua	Supervisor	F	50	In office	68.02	No
Li Weixian	General Manager	M	37	In office	200.00	No
Li Xueqin	Deputy general manager	F	53	In office	218.88	No
Dong Lianming	Financial controller	M	44	In office	97.20	No
Li Zhenzhong	Deputy general manager	M	45	In office	148.48	No
Yang Weiming	Deputy general manager	M	44	In office	75.60	No
Zhang Qingzhi	Deputy general manager	M	53	In office	71.66	No
Yuan Xikun	Secretary to the Board	M	33	In office	40.82	No
Poon Shiu Cheong	Company secretary and qualified accountant	M	49	In office	12.85	No
Yin Tongyuan	Vice-chairman	M	61	Resigned	124.20	No
Xiao Peng	Secretary to the Board	M	36	Resigned	5.70	No
Yang Hongqin	Supervisor	F	51	Resigned	15.90	No
Hu Jinbao	Financial controller	M	52	Resigned	126.60	No

Note: The total remuneration of the resigned senior management was the remuneration received during their respective tenure of office.

Directors 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

V. Personnel of the Company

1 Number of staff, specialty composition and education level

Number of staff at the Company (person)	3,869
Number of staff at major subsidiaries (person)	11,322
Total number of staff (person)	15,191
Total number of staff receiving remuneration during the period (person)	15,191
Number of retired/resigned staff the Company and its major subsidiaries are required to compensate (person)	0

Category of specialty composition	Specialty composition	Number of people (person)
Production staff		10,508
Sales staff		607
Technical staff		596
Financial staff		222
Administrative staff		1,960
Other staff		1,298
Total		15,191

Category of education level	Education level	Number of people (person)
Postgraduate and above		58
Undergraduate		1,497
Post-secondary		3,649
Technical secondary and below		9,987
Total		15,191

X Directors, Supervisors and Senior Management and Staff

V. 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, the Company adopts different standards of remuneration for different employees, which are determined based on their position, skill variety, performance etc. with reference to the remuneration level in the labour market, the average level of salary in the society and the corporate reference line set by the government. The Company provides various benefits to the employees, including social insurance, housing allowance and paid leaves etc.

3. Training programmes

The Company attaches importance to personnel training, implements the corporate spirit of “learning, surpassing and leading” and establishes a learning organisation. In 2019, the Company will further enhance cooperation with professional training institutions to enhance training quality. Meanwhile, we innovated our way of learning and built a practical online learning platform. We also developed quality training materials and improved existing ones by levels, initiating targeted training programs. For the junior level staff, the training focuses on professional skills and business knowledge. For the middle-level staff, the training focuses on team management and execution. For the senior management, training focuses on leadership. A team of excellent quality is built through training.

4. Labour outsourcing

Applicable Not applicable

XI Corporate Governance

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》), the Listing Rules of Hong Kong Stock Exchange and the related requirements as required by CSRC, and continued to improve and optimise its legal person governance structure during the reporting period. The Company also continuously improved its internal control system and proactively carried out management works in relation to investor relations during the reporting period, so as to further improve corporate governance standards and promote the Company's standardised operations. As of the end of the reporting period, the actual practice of corporate governance complied with the requirements of the regulatory documents issued by the CSRC regarding the governance of listed companies.

(I) Shareholders and general meeting

The Company had established a corporate governance structure that ensured shareholders' ability to fully exercise their rights and enjoy equal status. Shareholders enjoyed their rights and undertook corresponding obligations in accordance with the shares held by them. The convening and holding of general meeting of the Company were legal and compliant, and on the premise of guaranteeing the legality and effectiveness of the general meeting, both on-site voting and online voting were provided as channels to participate in such meetings. Where significant matters which had an impact on the interests of minority investors were being considered, the votes by minority investors were counted separately for the convenience of shareholders and for the sake of making public and timely disclosures. At the same time, investors present at the general meeting could communicate with the management of the Company in person, which effectively safeguarded the rights and demands of investors to participate in the Company's management. We ensured that all investors could participate in corporate governance on an equal basis, which effectively safeguarded the legitimate interests of shareholders, especially those of minority shareholders.

(II) Controlling shareholder and the listed company

During the reporting period, the Company remained independent of its controlling shareholder, beneficial controllers and related parties in terms of its business, assets, finance, personnel and organisations, and complied with the relevant provisions of the China Securities Regulatory Commission on the independence of listed companies. The controlling shareholders and beneficial controllers strictly regulated their behaviour, and exercised their rights and performed their obligations in accordance with the laws. The Company had business independence and self-operation capability. The Board, the Supervisory Committee and internal structure can operate independently.

(III) Directors and the Board

The composition of the Board of the Company complied with the laws and regulations and the requirements of the Articles of Association. Directors of the Company possessed the knowledge, skills, and qualities necessary to the performance of their duties. All of them were able to earnestly, faithfully, and diligently perform their duties and powers as stipulated in the Articles of Association. The convening and holding of Board meetings were in strict compliance with the Articles of Association and Rules of Procedure of Board Meetings and other relevant provisions. The four special committees under the Board of the Company, namely the Strategic Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee, performed their duties normally and provided scientific and professional opinions for the decision-making of the Board.

XI Corporate Governance

I. Corporate governance in practice (Cont'd)

(IV) Supervisors and the Supervisory Committee

The Supervisory Committee strictly followed the requirement of relevant laws and regulations including the Companies Law, the Articles of Associations and the Rules of Procedure of the Supervisory Committee in fulfilling its duties. In the spirit of being accountable to the shareholders and the Company, the Supervisory Committee independently and effectively exercised its supervision and inspection functions. By attending Board meetings and conducting regular inspections on the legal compliance of the Company's operations and finance, the Supervisory Committee supervised the decision-making procedures of the Board, resolutions and the legal compliance of the Company's operations, so as to safeguard the legitimate interests of the Company and the shareholders.

(V) Information disclosure and management of investor relations

In accordance with the requirements of the relevant rules, the Company strictly enforced the relevant information disclosure regulations and fully fulfilled its information disclosure obligations. The Company disclosed information in a timely and fair manner and ensured that the information disclosed was true, accurate and complete, and did not contain false information, misleading statements or major omissions. During the reporting period, the Company issued a total of more than 240 periodic reports, interim announcements, and related documents through the designated information disclosure media, and a total of 364 periodic reports, interim announcements, and related documents through the website of Hong Kong Stock Exchange. The Company performed its information disclosure obligations in a timely manner with respect to the Company's operations, related party transactions, external investment, external guarantees, and the implementation of annual profit distribution, so as to further safeguard the legitimate rights of investors.

Under the premise of strictly fulfilling disclosure obligations, the Company attached importance to the management of investor relations. The Company made public our address, contact number, facsimile, e-mail and other information on its official website and CNINFO, in an attempt to facilitate investors' communication with the Company through the above channels. The Company also made full use of the investor hotline, Shenzhen Stock Exchange's "EasyIR" platform, field investigation and research and other channels and methods to actively interact with investors and listen to what they had to say. We patiently answered questions from investors, and worked at enhancing investors' understanding and recognition of the Company. We passed investors' reasonable opinions and suggestions to the management of the Company in a timely manner, building a bridge between investors and the Company.

(VI) Management on registration of personnel with insider information

The Company strictly complied with the provisions of the "Registration Management System of Personnel with Insider Information" and other relevant systems to strengthen the confidentiality of insider information and improved the registration and management of personnel with insider information. The Directors, Supervisors, Senior Management and other related personnel of the Company were able to strictly observe their confidentiality obligations throughout the preparation of periodic reports, temporary announcements and the planning of major events. With the development of the Company, the Company will continue to strictly abide by the requirements of relevant laws and regulations and continuously promote corporate governance to ensure that the Company operates in a standardised manner.

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

The Company was completely separated from the controlling shareholder in terms of business, personnel, assets, organisations and finance. The Company had a comprehensive internal structure, independent and complete businesses as well as the capability of self-operation.

1. In terms of business: the Company had its own R&D, production, procurement and sales system, and was completely independent of controlling shareholder in terms of business. The controlling shareholder and its other subsidiaries were not competitors of the Company in the same industry.
2. In terms of personnel: the Company had an independent workforce, and had established independent departments including the research and development department, production department, administration department, finance department, procurement department and sales department. The Company had also established a comprehensive management system with respect to labour, personnel and salary. Personnel of the Company were independent of the controlling shareholder. The Company's Chairman was elected at the general meeting, while the general manager, deputy general manager, secretary to the Board, chief financial officer and other senior management members all worked at and received remuneration from the Company. They did not receive remuneration from related companies of the controlling shareholder, nor did they serve at any position therein other than a director or supervisor. The appointment of the Company's Directors, supervisors and senior management was conducted through legal procedures and in strict compliance with the relevant requirements of Companies Law and the Articles of Association. None of the controlling shareholders interfered with the Company's Board, or the appointment and dismissal decisions at general meetings.
3. In terms of assets: the title relationship between the Company and the controlling shareholder was clear, and the Company's funds, assets and other resources were not illegally occupied or dominated by the controlling shareholder. The Company's assets were complete, and possessed production equipment, auxiliary production equipment, patents and other assets that were in line with its production and operation scope. The Company had complete control and dominance over all assets.
4. In terms of organisations: the Board, Supervisory Committee, management and other internal organisations of the Company operated independently. Each functional department was completely separated from the controlling shareholder in terms of authority, personnel, etc. There was no subordinate relationship between the controlling shareholder and its functional departments, and the Company and its functional departments. The Company's independence in terms of its production, operation and management was not affected by the controlling shareholder.
5. In terms of finance: the Company had its own finance department, accounting and auditing system and financial management system, and was able to make independent financial decisions, with a standardised financial accounting system and financial management system for subsidiaries. None of the controlling shareholders interfered with the Company's finance and accounting activities. The Company had a separate account in a commercial bank and there was no sharing of bank accounts with the controlling shareholder. The Company reported on tax return and fulfilled its tax obligations independently in accordance with the law.

XI Corporate Governance

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	Convening date	Disclosure date	Disclosure index
2018 first extraordinary general meeting	Extraordinary general meeting	33.09%	13 February 2018	14 February 2018	http://www.cninfo.com.cn
2018 second extraordinary general meeting	Extraordinary general meeting	33.18%	1 June 2018	2 June 2018	http://www.cninfo.com.cn
2018 first domestic listed share class meeting	Extraordinary general meeting	34.14%	1 June 2018	2 June 2018	http://www.cninfo.com.cn
2018 first overseas listed share class meeting	Extraordinary general meeting	40.83%	1 June 2018	2 June 2018	http://www.cninfo.com.cn
2017 annual general meeting	Annual general meeting	33.10%	13 June 2018	14 June 2018	http://www.cninfo.com.cn
2018 second domestic listed share class meeting	Extraordinary general meeting	31.36%	13 June 2018	14 June 2018	http://www.cninfo.com.cn
2018 second overseas listed share class meeting	Extraordinary general meeting	41.00%	13 June 2018	14 June 2018	http://www.cninfo.com.cn
2018 third extraordinary general meeting	Extraordinary general meeting	26.70%	20 July 2018	21 July 2018	http://www.cninfo.com.cn
2018 third domestic listed share class meeting	Extraordinary general meeting	30.93%	20 July 2018	21 July 2018	http://www.cninfo.com.cn
2018 third overseas listed share class meeting	Extraordinary general meeting	7.68%	20 July 2018	21 July 2018	http://www.cninfo.com.cn
2018 fourth extraordinary general meeting	Extraordinary general meeting	30.07%	9 October 2018	10 October 2018	http://www.cninfo.com.cn
2018 fifth extraordinary general meeting	Extraordinary general meeting	30.68%	30 November 2018	1 December 2018	http://www.cninfo.com.cn
2018 sixth extraordinary general meeting	Extraordinary general meeting	31.23%	28 December 2018	29 December 2018	http://www.cninfo.com.cn

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

Applicable Not applicable

XI Corporate Governance

V. Performance of Independent Directors during the reporting period

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

Name of Independent Directors	Number of attendance required for Board meetings during the reporting period	Attendance at Board meetings in person	Attendance at Board meetings by communication	Attendance at Board meetings by proxy	Absence from Board meetings	Absent from Board meetings twice in a row (in person)	Attendance at general meetings
Pan Ailing	19	0	18	1	0	No	0
Wang Fengrong	19	1	18	0	0	No	0
Huang Lei	19	1	18	0	0	No	0
Liang Fu	19	1	18	0	0	No	0

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.

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

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 *(Cont'd)*

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 optimise the supervisory system of the Company, as well as protecting the legal rights of the Company and all shareholders.

Publication time	Subject matter	Opinion
30 January 2018	Independent opinions on the receipt of 30% equity interest in Hongtai Real Estate held by Guangdong Dejun and Guangdong Dejun's Debt to Hongtai Real Estate and related party transaction, and independent opinions of Independent Directors on guarantee in favour of related subsidiaries for their credit facilities applications	Agreed
28 March 2018	Independent opinions on the Company's internal control self-assessment report, particulars and independent opinions on external guarantees, the determination of remuneration of directors and senior management for 2017, use of proceeds by related parties and related party transactions, provision of guarantee for comprehensive credit line of relevant subsidiaries and appointment of accounting firm.	Agreed
17 April 2018	Independent opinions on the extension of the validity of the resolutions in respect of the non-public issue of shares at the general meeting	Agreed
27 April 2018	Independent opinions on the appointment of additional directors	Agreed
16 May 2018	Independent opinions on the appointment of additional directors and independent opinions on the appointment of secretary to the board	Agreed
5 June 2018	Independent opinions on matters relating to the non-public issue of shares and the related party transactions and entering into of conditional share subscription agreement with specific parties	Agreed
23 June 2018	Independent opinions on new ordinary connected transactions in 2018 and the disposal of the 40% equity interest in Wan Xing Real Estate by Wuhan Chenming	Agreed
17 July 2018	Independent opinions on accepting financial assistance and the related party transaction	Agreed
18 August 2018	Independent opinions on the termination of non-public issue of the Company's shares and the withdrawal of application documents in 2016	Agreed
28 August 2018	Independent opinions on the use of proceeds by controlling shareholders and other related parties and on external guarantees	Agreed
12 October 2018	Independent opinions on the appointment of financial controller and the provision of guarantee for wholly-owned subsidiaries	Agreed
26 October 2018	Independent opinions on the change of accounting policy	Agreed
10 November 2018	Independent opinions on the formulation of rotation system for general manager (President)	Agreed
1 December 2018	Independent opinions on pledge of assets by a subsidiary for the commencement of financial leasing business by Shouguang Meilun	Agreed
21 December 2018	Independent opinions of the Independent Directors on the introduction of third-party investor for Jiangxi Chenming	Agreed

XI Corporate Governance

VI. Performance of duties by special committees under the Board during the reporting period

(I) Audit Committee

1. The following major tasks were completed in 2018:

- (1) it conducted pre-audit communication with external auditing institution engaged by the Company in respect of the 2017 financial report auditing, reviewed the 2017 auditors' report and financial report, which were submitted to the Board of the Company for consideration and approval;
- (2) it reviewed the 2018 first quarter report of the Company as of 31 March 2018, which was submitted to the Board for consideration and approval;
- (3) it reviewed the 2018 interim financial statements as of 30 June 2018, which were submitted to the Board for consideration and approval;
- (4) it reviewed the 2018 third quarter report of the Company as of 30 September 2018, which was submitted to the Board for consideration and approval.

2. Auditing work conducted on the 2018 financial report of the Company is as follows:

- (1) it convened a meeting to review with due consideration the 2018 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 2018 financial statements of the Company with Ruihua Certified Public Accountants, which was responsible for the Company's auditing work during the year;
- (2) with due consideration, it reviewed the draft of financial statements of the Company prior to an annual onsite 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 performed by the auditing certified public accountants and issued a letter to the auditors to urge that they submit the auditors' report on schedule;
- (4) it reviewed the financial statements of the Company again upon the issue of preliminary opinion on the annual audit by the auditing certified public accountants appointed for the annual audit, and considered the financial statements of the Company to be true, accurate and complete to reflect the overall position of the Company;
- (5) at the first meeting of the Audit Committee in 2019, the audit summary on the annual audit issued by the accounting firm was approved and submitted to the Board;
- (6) it reviewed the 2018 report on internal audit and self-assessment report on internal controls of the Company as of 31 December 2018.

XI Corporate Governance

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

(II) Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the Board 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. During the reporting period, the Remuneration and Assessment Committee formulated the 2017 remuneration package of the Directors and the Senior Management of the Company, which was arrived at based on the operation conditions of 2017 and assessment of the Directors and the Senior Management of the Company. The remuneration package was then submitted to the Board for consideration.

(III) Strategy Committee

The Strategy Committee conducted research on major investment decisions of the Company and made recommendations, and inspected and evaluated the implementation of related matters. At the same time, the Strategy Committee actively discussed the Company's future long-term strategic development plan based on the Company's industry characteristics and development stage in combination with the Company's production and operation conditions, providing valuable and constructive opinions for the company's steady development.

During the reporting period, the Strategy Committee held four meetings. The first meeting in 2018 considered resolutions in relation to "the receipt of 30% equity interest in Hongtai Real Estate held by Guangdong Dejun and related party transactions", "the establishment of Beijing Chenming Financial Leasing Company" and "the establishment of Wuhan Chenming Financial Leasing Company", which were submitted to the 20th extraordinary meeting of the eighth session of the Board of the Company for consideration and approval. The second meeting in 2018 considered the resolution in relation to "the subscription for the new shares of Guangdong Nanyue Bank through private placing by Zhanjiang Chenming and the transfer of the shares of Guangdong Nanyue Bank held by other shareholders to Zhanjiang Chenming", which was submitted to the 23rd extraordinary meeting of the eighth session of the Board of the Company for consideration and approval. The third meeting in 2018 considered the resolution in relation to "the acquisition of 45% of equity interest in Goldtrust Futures", which was submitted to the 31st extraordinary meeting of the eighth session of the Board of the Company for consideration and approval. The third meeting in 2018 considered the resolution in relation to "the acquisition of minority interest in controlling subsidiaries", which was submitted to the 34th extraordinary meeting of the eighth session of the Board of the Company for consideration and approval.

(IV) Nomination Committee

During the reporting period, the Nomination Committee held four meetings. The first meeting in 2018 considered the resolution in relation to "the election of additional directors", which was submitted to the 9th meeting of the eighth session of the Board of the Company for consideration and approval. The second meeting in 2018 considered the resolution in relation to "the election of additional directors", which was submitted to the 24th extraordinary meeting of the eighth session of the Board of the Company for consideration and approval. The third meeting in 2018 considered the resolution in relation to "the appointment of financial controller", which was submitted to the 31st extraordinary meeting of the eighth session of the Board of the Company for consideration and approval. The fourth meeting in 2018 considered the resolutions in relation to "the appointment of rotating general managers" and "the appointment of the senior management", which were submitted to the 32nd extraordinary meeting of the eighth session of the Board of the Company.

XI Corporate Governance

VII. Performance of duties by the Supervisory Committee

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

Yes No

None of those issues under the supervision was objected by the 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.

IX. Internal control

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

Yes No

2. Self-assessment Report on Internal Controls

Date of Disclosure of Assessment Report on Internal Controls	30 March 2019
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	99.20%
Percentage of Revenue Included in Assessment to Revenue in Consolidated Financial Statements of the Company	99.60%

XI Corporate Governance

IX. Internal control (Cont'd)

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

Type	Basis for identifying deficiencies	
	Financial reporting	Non-financial reporting
Qualitative criteria	<p>(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.</p>	<p>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 nonfinancial 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.</p>
Quantitative criteria	<p>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.</p>	<p>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.</p>
	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

XI Corporate Governance

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 2018.

Disclosure of Auditors' Report on Internal Control	Disclosed
Date of Disclosure of Auditors' report on internal control	30 March 2019
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. 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 III Board, IV Chairman and General Manager and XVII Communications with shareholders in this section, 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.

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

The members of the Board 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 the 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 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 five executive Directors: Chen Hongguo (Chairman), Hu Changqing, Geng Guanglin, Li Feng and Chen Gang; two non-executive Directors: Yang Guihua and Zhang Hong; and four independent non-executive Directors: Pan Ailing, Wang Fengrong, Huang Lei and Liang Fu. Please refer to section VIII 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 the Company's 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 to discuss the ordinary business operations and performance of the Company, and carried out the relevant decisions of the Board. The Company will arrange independent legal advice upon the request from the Directors or any committees of the Board, if the Board or any committees of the Board consider it necessary to seek for independent professional advice.

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. As at the date of this report, the Company has not reached an agreement with the original insurance company, and therefore has not arranged relevant insurance cover for directors. However, the Company is currently under negotiation with another insurance Company with respect to director liability insurance in 2019.

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 (*Cont'd*)

During the reporting period, the Board held 19 meetings, 4 of which were regular meetings and 15 were extraordinary meetings. Due to health reasons, Pan Ailing, an independent director, appointed Wang Fengrong, another independent director, to attend the 8th meeting of the eighth session of the Board on 27 March 2018. None of the directors were absent from the remaining 18 Board meetings.

Name	Position	Attendance at the relevant meetings (attention required/attended)					General meetings
		Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration and assessment committee meetings	Strategic committee meetings	
I. Executive Directors							
Chen Hongguo	Chairman	19/19	N/A	1/1	N/A	2/2	10/2
Hu Changqing	Vice Chairman	19/19	N/A	N/A	N/A	2/2	10/5
Geng Guanglin	Director	19/19	N/A	N/A	N/A	N/A	10/5
Li Feng	Director	19/19	N/A	N/A	N/A	N/A	10/0
Chen Gang	Director	19/19	N/A	N/A	N/A	N/A	10/0
II. Non-executive Directors							
Yang Guihua	Director	19/19	7/7	N/A	N/A	N/A	10/2
Zhang Hong	Director	19/19	N/A	N/A	1/1	N/A	10/2
III. Independent non-executive Directors							
Pan Ailing	Independent Director	19/18	7/7	N/A	N/A	N/A	10/0
Wang Fengrong	Independent Director	19/19	7/7	1/1	N/A	N/A	10/2
Huang Lei	Independent Director	19/19	N/A	N/A	1/1	2/2	10/0
Liang Fu	Independent Director	19/19	N/A	1/1	1/1	N/A	10/2

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 4 regular meetings during the year, each by giving a 10-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.

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 (*Cont'd*)

Directors' training 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 2018 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 of the Company is Mr. Chen Hongguo, and the general manager of the Company is Mr. Li Weixian.

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*)

(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 Fengrong 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 2016 to May 2019. 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 Pan Ailing (as the chairman), Yang Guihua and Wang Fengrong. 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. Pan Ailing and Wang Fengrong have 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 2018 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 confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2018.

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 Liang Fu, the Chairman, and other members, namely Zhang Hong and Huang Lei. 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 meetings 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 Wang Fengrong (as the chairman), Chen Hongguo and Liang Fu. 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, Hu Changqing and Huang Lei. 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.

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

On 13 December 2016, the 2016 fourth extraordinary 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 2016 and be responsible for domestic auditing of the Company for 2016.

On 24 July 2017, the 2017 second extraordinary 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 2017 and be responsible for domestic auditing of the Company for 2017.

On 13 June 2018, the 2017 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 2018 and be responsible for domestic auditing of the Company for 2018.

(XIV) Remuneration for the Auditors

The financial statements for 2018 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Ruihua Certified Public Accountants (Special General Partnership). In 2018, the Company paid the auditors in aggregate RMB2,500,000 and RMB800,000 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 two shareholder representatives and one 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 part VII of this section.

XI Corporate Governance

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

(XVI) Company Secretary

During the year, 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.

(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 13 June 2018 by the Company, six extraordinary general meetings and three class meetings were convened in 2018. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
2017 Annual General Meeting	Geng Guanglin, Zhang Hong, Wang Fengrong, Liang Fu and Yang Guihua
2018 First extraordinary general meeting	Yin Tongyuan and Geng Guanglin
2018 Second extraordinary general meeting	Chen Hongguo and Geng Guanglin
2018 Third extraordinary general meeting	Hu Changqing
2018 Fourth extraordinary general meeting	Hu Changqing
2018 Fifth extraordinary general meeting	Hu Changqing
2018 Sixth extraordinary general meeting	Hu Changqing
2018 First domestic and overseas listed share class meeting	Chen Hongguo and Geng Guanglin
2018 Second domestic and overseas listed share class meeting	Geng Guanglin, Zhang Hong, Wang Fengrong, Liang Fu and Yang Guihua
2018 Third domestic and overseas listed share class meeting	Hu Changqing

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*)

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.

Mr. Chen Hongguo, the chairman of the Company and its strategy committee, and Ms. Pan Ailing, the chairman of the audit committee, 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.

Ms. Pan Ailing and Mr. Huang Lei were absent from the 2017 annual general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2018 first extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2018 second extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2018 third extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2018 fourth extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2018 fifth extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2018 sixth extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2018 first domestic and overseas listed share class meeting due to business commitments.

Ms. Pan Ailing and Mr. Huang Lei were absent from the 2018 second domestic and overseas listed share class meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2018 third domestic and overseas listed share class 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*)

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' right

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

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 a unilateral basis.

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' right (*Cont'd*)

1. *Procedures for convening an extraordinary general meeting by Shareholder (Cont'd)*

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.

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	Yuan Xikun Address: No. 2199 East Nongsheng Road, Shouguang City, Shandong Province Email Address: 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.

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' right (*Cont'd*)

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.

(XVIII) Internal Control

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

(XIX) Articles of Association

On 29 December 2018, the Company amended the Articles of Association. The amendments were primarily relating to the number of Supervisor. 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.

XI Corporate Governance

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

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

(XXI) Dividend policy

Based on the total ordinary share capital of 2,904,608,200 shares and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2018, a cash dividend of RMB2.4 (tax inclusive) per 10 shares will be distributed to holders of ordinary shares; a cash dividend of RMB2.4 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares. No bonus shares will be issued and no capitalisation issue will be made out of the reserves. A cash dividend of RMB697,105,968 will be distributed to holders of ordinary shares and a variable cash dividend of RMB279,069,767.52 will be distributed to holders of preference shares. In other words, a cash dividend of RMB6.20 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

XII 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

I. 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
The public issuance of the corporate bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2017 (phase I)	17 Chenming Bond 01	112570	17 August 2017	21 August 2022	120,000	6.50%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
The public issuance of the corporate bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (phase I)	18 Chenming Bond 01	112641	29 March 2018	2 April 2023	90,000	7.28%	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	The payment of interest on 17 Chenming Bond 01 was completed on 21 August 2018. For details, please refer to the Announcement on payment of 2018 interest with respect to the first tranche of corporate bonds publicly issued to qualified investors in 2017 (《2017年面向合格投資者公開發行公司債券(第一期)2018年付息公告》), which was published by the Company on 15 August 2018.						
Performance of relevant terms during the reporting period, for special terms such as issuer or investor option and interchangeable for corporate bonds (if any).	Both 17 Chenming Bond 01 and 18 Chenming Bond 01 attach with options for the issuer to adjust the coupon rate and for investors to resell. The issuer has the right to determine the adjustment to the coupon rate for the following 3 years at the end of the second year and the adjustment to the coupon rate for the following year as the end of the fourth year. After issuing the announcement on whether the coupon rate of the relevant tranche of bonds will be adjusted and the range of adjustment, the investors have the right to register for reselling during the period as announced to resell all or part of the relevant tranche of bonds held to the issuer at par value.						

XII Corporate bonds

II. Information on bond custodian and credit rating agency

Bond custodian:

Name	GF Securities Co., Ltd.	Office address	38th Floor, Metro Plaza, No.183 Tianhe North Road, Guangzhou	Contact person	Xu Duwei	Telephone of contact person	020-87555888
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Credit rating agency(ies) which conducted rating on corporate bonds during the reporting period:

Name	China Chengxin Securities Rating Co., Ltd.	Office address	21/F, Anji Building, 760 Xizang South Road, Huangpu District, Shanghai
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Reason of change, procedures to be performed and impacts on interests of investors, etc. in case the bond trustee and credit rating agency engaged by the Company during the reporting period have changed (if applicable)	No change during the reporting period.
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III. 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 17 Chenming Bond 01 and 18 Chenming Bond 01 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

IV. Credit rating of corporate bonds

The credit rating of 18 Chenming Bond 01 as granted by China Chengxin Securities Rating Co., Ltd. was AA+, and the credit rating for the Company remained at AA+ (stable outlook). The 2018 public issuance of the corporate bonds (tranche I) updated rating report (2018) was published on CNINFO on 14 June 2018.

The credit rating of 17 Chenming Bond 01 as granted by China Chengxin Securities Rating Co., Ltd. remained at AA+, and the credit rating for the Company was AA+ (stable outlook). The 2017 public issuance of the corporate bonds (tranche I) updated rating report (2018) was published on CNINFO on 14 June 2018.

V. 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.

XII Corporate bonds

VI. Convening of meeting for bondholders during the reporting period

Not applicable.

VII. Performance of bond custodian during the reporting period

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

VIII. 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	2018	2017	Year-on-year increase/decrease in percentage
EBITDA	655,492.30	682,958.92	-4.02%
Current ratio	78.10%	86.32%	-8.22%
Gearing ratio	75.43%	71.34%	4.09%
Quick ratio	67.27%	75.80%	-8.53%
Proportion of EBITDA to total debts	8.25%	9.06%	-0.81%
Interest coverage ratio	1.87	2.83	-33.92%
Cash interest coverage ratio	3.84	0.01	38,300%
EBITDA interest coverage ratio	2.47	2.83	-12.72%
Loans payment ratio	100.00%	100.00%	—
Interest payment ratio	100.00%	100.00%	—

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

√ Applicable □ Not applicable

- ① The interest coverage ratio was 1.87 for the period, a decrease of 33.92% over 2.83 of the same period of last year, which was mainly due to the decline in the market price of machine-made paper and the national macro-control policy on financial deleveraging, resulting in year-on-year decrease in profitability and year-on-year increase in finance expenses of the Company.
- ② The cash interest coverage ratio was 3.84 for the period, an increase of 38,300% over 0.01 of the same period of last year, which was mainly due to the year-on-year increase of 592 times of the net cash flow from operating activities of the Company during the reporting period.

XII Corporate bonds

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

Unit: RMB

Item	Amount of interest payment
Corporate bonds	78,000,000.00
Privately placed bonds	1,064,800,000.00
Medium-term notes	2,947,140,000.00
Super & short-term commercial papers	17,990,667,945.05
Total	22,080,607,945.05

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

During the reporting period, the Company obtained bank credit of RMB81,750 million, of which RMB52,156 million was utilised with RMB29,594 million outstanding. The Company repaid bank loans of RMB39,526 million.

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

Nil

XII. Matters of significance during the reporting period

Nil

XIII. Is there any guarantor for corporate bonds?

Yes No

XIII Financial Report

I. Auditors' Report

Type of auditors' opinion	Standard and unqualified opinions
The date of the audit report signed	29 March 2019
Name of the auditor	Ruihua Certified Public Accountants (Special General Partnership)
Reference number of the auditors' report	Rui Hua Shen Zi [2019] No. 37120004
Name of certified public accountants	Liu Jian and Jiang Lei

Text of the auditor's report

To shareholders of Shandong Chenming Paper Holdings Limited:

I. Auditor's opinion

We have audited the financial statements of Shandong Chenming Paper Holdings Limited (hereinafter "Chenming Paper Company"), which comprise the consolidated and company balance sheets as at 31 December 2018, 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 2018 and notes to the relevant financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Chenming Paper Company as at 31 December 2018 and of its consolidated and company operating results and cash flows for 2018.

II. Basis of opinions

We have conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the responsibilities of certified public accountants for the audit of the financial statements section of the auditors' report. We are independent of Chenming Paper Company in accordance with the ethical codes of Chinese certified public accountants, and we have fulfilled our other ethical responsibilities in accordance with the codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. The key audit matter we identified is as follows:

(I) Consumable biological assets measured at fair value

1. Details

For detailed disclosures of relevant information, please see notes V.13, V.21 and VII.6 to the financial statements.

As at 31 December 2018, the balance of consumable biological assets reflected in the notes to the financial statements of Chenming Paper Company amounted to RMB1,511,542,600 thousand, of which the balance of consumable biological assets measured at fair value amounted to RMB926,416,600.

XIII Financial Report

Consumable biological assets of Chenming Paper Company without a stock are measured at actual cost, and at fair value when there is a stock. Changes in fair value shall be recognised as profit or loss for the current period. As there is no active market price for the consumable biological assets of Chenming Paper Company, the management shall determine the fair value of consumable biological assets which have formed a stock based on the valuation techniques adopted by external valuation institutions engaged by the Company.

As changes in the fair value of the consumable biological assets of Chenming Paper Company (the “biological assets”) will significantly impact the financial statements, and involve significant judgments from the management, we have regarded the measurement of consumable biological assets as a key audit matter.

2. Application for auditing

When addressing the fair value measurement of the Biological Assets, the key auditing procedures we implemented mainly include:

- (1) we assessed the design and implementation of internal control of Chenming Paper Company relating to the Biological Assets;
- (2) we comprehended and evaluated the definition and judgment of the management relating to stock;
- (3) we evaluated the independence, objectivity, experience and quality of the external valuer engaged by the management;
- (4) We obtained the valuation report, and our valuation experts assessed the valuation method, valuation parameters and the discount rate used in the valuation report.

(II) Measurement of lease receivables

1. Details

For detailed disclosures of relevant information, please see notes IV.8, VI.7, VI.8 and VI.9 to the financial statements.

As at 31 December 2018, the carrying amount of lease receivables in the notes to the financial statements of Chenming Paper Company amounted to RMB18,279,286,700 in aggregate, accounting for 17.36% of total consolidated assets, and including lease receivables due within one year, long-term receivables due within one year and long-term receivables. Lease receivables were mainly created in the financial leasing-related business carried out in the financial business segment of Chenming Paper Company, and were categorised as financial assets with higher risks.

The management of Chenming Paper Company judges whether or not to make bad debt provision of financial lease receivables based on the assessment of the recoverability of financial lease receivables. The recognition of the lease receivables, changes in unsecured balance and provision for bad debt involve management’s significant judgment.

We are concerned about the foregoing matters because the carrying value of lease receivables is significant for the consolidated financial statements of Chenming Paper Company, and the measurement of lease receivables involve significant judgment. Therefore, we have regarded the measurement of lease receivables as a key audit matter.

2. Application for auditing

When addressing the fair value measurement of lease receivables, the key auditing procedures we implemented mainly include:

- (1) we have identified, evaluated and tested the internal control related to the financial leasing business including ageing analysis and overdue analysis of lease receivables and periodic assessment of the recoverability of the balance of lease receivables;
- (2) we reviewed financial leasing contracts and related information on early investigation of customers, conducted interviews with management to understand the operations of financial leasing business and the policy on revenue recognition;
- (3) we examined the ownership of the leased properties in the financial leasing contracts, for example, examined other rights of the leased properties;
- (4) we examined and estimated the entry value and the term of amortisation of unrecognised financing income; and examined whether the payment status of the lessees is consistent with the contractual payment terms;
- (5) we have obtained the documents on the management's assessment of the recoverability of the lease receivables, in particular the amounts of provision for impairment categorised by the management as individually made or made by credit risk characteristics; verified the reasonableness of management judgement through evidence obtained from procedures such as investigations on the background, business status and cash flow of customers, interviews with customers and reviews on historical transactions and repayments;
- (6) we determined the likelihood of impairment and the accuracy of bad debt provision in accordance with the Company's accounting policy by checking the follow-up guarantee procedures of the customers, the financial strength of the guarantor, and the inventory and value determination of the collaterals;
- (7) we sought external confirmations for lease receivables with balances of significant amount and, in certain cases, with balances of smaller amount at the end of the year.

(III) Recognition of revenue from machine-made paper

1. Details

For detailed disclosures of relevant information, please see notes IV.23 and VI.42 to the financial statements.

In 2017, Chenming Paper Company recorded revenue of RMB28,875,756,200, of which RMB24,303,557,400 was attributed to revenue of machine-made paper, accounting for 84.17% of the revenue.

Revenue of machine-made paper is recognised when Chenming Paper Company transferred to the customers the control of the machine-made papers. Differentiated accounting methods were applied when addressing the differences in business models of domestic and overseas operations: in terms of domestic sales of machine-made paper, revenue is recognised when goods are delivered to the customers and such deliveries are confirmed; while in terms of overseas sales of machine-made paper, revenue is recognised on the day when goods are loaded on board and declared.

XIII Financial Report

Revenue is one of the key performance indicators of Chenming Paper Company, and the revenue from machine-made paper accounted for a relatively large proportion of the total revenue due to enormous sales, there may be potential misstatement in relation to whether revenue recognition is accounted for in the appropriate period of the financial statements, therefore, we identified recognition of revenue from machine-made paper as a key audit matter.

2. Application for auditing

When addressing the fair value measurement of machine-made paper, the key auditing procedures we implemented mainly include:

- (1) we identified and evaluated the effectiveness of the design and operation of key internal controls conducted by the management related to revenue recognition;
- (2) we conducted sampling inspections on sales contracts, identified contract terms and conditions related to the transfer of control of the goods, assessed whether the timing of recognition of sales revenue from Chenming Paper Company meets the requirements of the Accounting Standards for Business Enterprises;
- (3) we conducted sampling inspections on transactions recorded during the year and verified with sales invoices, sales contracts, letters of credit, letters of guarantee, declaration forms, customers' confirmation of receipt and delivery orders, etc.; evaluated whether the relevant revenue recognition meets the accounting policy on revenue recognition of Chenming Paper Company;
- (4) we analysed revenue and gross profit by taking into account product types and identified abnormal fluctuations in the amount of revenue in the current period;
- (5) we collected samples from sales revenue recorded around the balance sheet date for cut-off tests; verified delivery orders and other supporting documents to assess whether sales revenue is recorded in the appropriate accounting period; inspected the occurrence of on-the-spot recognition of sales at the end of the inspection period and inspected goods returns after the inspection period to determine the accuracy of revenue recognition during the period;
- (6) we sought external confirmations for clients with larger sales during the period.

IV. Other information

Chenming Paper Company's management is responsible for other information. Other information includes the information covered in the 2018 annual report, but does not include the financial statements and our audit report.

Our audit opinions published in the financial statements do not cover other information and we do not publish any form of assurance conclusion on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information, during which we consider whether there is significant inconsistency or other material misstatement of other information with the financial statements or what we have learned during the audit.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have nothing to report.

V. Management and management responsibility for financial statements

The management of Chenming Paper Company (hereinafter referred to as “the management”) is responsible for the preparation of financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises to enable them to achieve fair reflection, and to achieve the design, implementation and maintenance of necessary internal controls so that the financial statements are free of material misstatements due to fraud or errors.

In the preparation of the financial statements, the management is responsible for assessing the continuing operations capabilities of Chenming Paper Company, disclosing issues related to going concern (if applicable), and applying the going concern assumption unless management plans to liquidate Chenming Paper Company, terminate operations or have no other realistic options.

The management is responsible for supervising the financial reporting process of Chenming Paper Company.

VI. Auditor’s responsibility for auditing financial statements

Our objective is to obtain reasonable assurance as to whether the entire financial statements are free from material misstatement due to fraud or errors and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards can always discover a major misstatement when it exists. Misstatements are generally considered to be material if it is reasonably expected that misstatements, individually or in aggregate, may affect the economic decision made by users of financial statements based on the financial statements.

In the process of conducting audit work in accordance with auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also perform the following tasks:

- I. To identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence, together perform as a basis for issuing audit opinions. Since fraud may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to an error.
- II. To understand audit-related internal controls to design appropriate audit procedures.
- III. To evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and related disclosures.

XIII Financial Report

- IV. To conclude on the appropriateness of management's use of the continuing operation assumption. At the same time, according to the audit evidence obtained, it may lead to conclusions as to whether there are significant uncertainties in matters or circumstances that have significant doubts about the ability of Chenming Paper Company to continue its operations. If we conclude that there are significant uncertainties, the auditing standards require us to request the users of the report to pay attention to the relevant disclosures in the financial statements in the audit report; if the disclosure is not sufficient, we should publish modified audit report. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause Chenming Paper Company to not continue its operations.
- V. Evaluate the overall presentation, structure, and content (including disclosures) of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and matters.
- VI. To obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Chenming Paper Company to express opinions on the financial statements. We are responsible for guiding, supervising and executing group audits. We take full responsibility for the audit opinion.

We communicate with the management on planned audit scope, time arrangements and major audit findings, including communication of the internal control deficiencies that we identified during the audit.

We also provide statements to the management on compliance with ethical requirements related to independence, and communicate with the management on all relationships and other matters that may reasonably be considered to affect our independence, as well as related preventive measures (if applicable).

From the matters we communicated with the management, we determine which matters are most important for the audit of the financial statements for the current period and thus constitute the key audit matters. We describe these matters in our audit report, unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of disclosing something in the audit report will outweigh the benefits to the public interest, we determine that the matter should not be reported in the audit report

Ruihua Certified Public Accountants
(Special General Partnership)
Beijing, China

Chinese Certified Public Accountant (Project Partner): Liu Jian
Chinese Certified Public Accountant: Jiang Lei

29 March 2019

XIII Financial Report

II. Financial Statements

The unit in the notes to the financial statements is: RMB

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

31 December 2018

Unit: RMB

Item	31 December 2018	1 January 2018	31 December 2017
CURRENT ASSETS:			
Monetary funds	19,292,774,747.79	14,443,492,461.43	14,443,492,461.43
Held-for-trading financial assets		94,000,000.00	
Financial assets measured at fair value through profit or loss			94,000,000.00
Bills receivable and accounts receivable	4,617,603,496.05	7,886,097,430.59	7,886,097,430.59
Including: Bills receivable	1,213,116,491.46	4,220,231,853.56	4,220,231,853.56
Accounts receivable	3,404,487,004.59	3,665,865,577.03	3,665,865,577.03
Prepayments	863,739,020.74	1,962,151,473.35	1,962,151,473.35
Other receivables	2,133,089,983.39	538,734,656.55	538,734,656.55
Including: interest receivable	198,577,632.43	15,295,213.24	15,295,213.24
Inventories	6,771,488,433.74	6,022,805,491.17	6,022,805,491.17
Non-current assets due within one year	4,007,503,281.86	6,901,695,875.94	6,901,695,875.94
Other current assets	10,281,312,825.13	11,568,757,330.26	11,568,757,330.26
Total current assets	47,967,511,788.70	49,417,734,719.29	49,417,734,719.29
NON-CURRENT ASSETS:			
Available-for-sale financial assets			2,453,000,000.00
Long-term receivables	7,926,610,770.86	9,400,862,089.18	9,400,862,089.18
Long-term equity investments	484,674,282.77	391,868,827.45	391,868,827.45
Other non-current financial assets	103,000,000.00	2,453,000,000.00	
Investment properties	4,844,993,039.62	4,809,535,109.82	4,809,535,109.82
Fixed assets	27,913,986,152.68	28,227,509,503.05	28,227,509,503.05
Construction in progress	11,871,350,821.55	7,683,945,044.32	7,683,945,044.32
Intangible assets	1,939,355,274.98	2,059,221,379.09	2,059,221,379.09
Goodwill	5,969,626.57	20,283,787.17	20,283,787.17
Long-term prepaid expenses	134,916,241.81	139,122,569.45	139,122,569.45
Deferred income tax assets	603,873,698.62	522,288,850.40	522,288,850.40
Other non-current assets	1,522,493,129.66	499,724,197.70	499,724,197.70
Total non-current assets	57,351,223,039.12	56,207,361,357.63	56,207,361,357.63
Total assets	105,318,734,827.82	105,625,096,076.92	105,625,096,076.92

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Item	31 December 2018	1 January 2018	31 December 2017
CURRENT LIABILITIES:			
Short-term borrowings	40,227,945,361.89	35,096,574,873.03	35,096,574,873.03
Bills payable and accounts payable	8,369,198,199.59	5,292,331,618.45	5,292,331,618.45
Advance receipts			243,182,891.22
Contract liabilities	419,540,133.74	243,182,891.22	
Staff remuneration payables	135,373,407.70	185,130,892.10	185,130,892.10
Taxes payable	451,651,198.64	496,626,014.68	496,626,014.68
Other payables	1,777,718,017.48	1,512,109,925.73	1,512,109,925.73
Including: Interest payable	226,788,777.59	85,480,380.32	85,480,380.32
Non-current liabilities due within one year	7,216,305,771.01	3,625,430,347.40	3,625,430,347.40
Other current liabilities	2,816,956,481.68	10,797,248,631.76	10,797,248,631.76
Total current liabilities	61,414,688,571.73	57,248,635,194.37	57,248,635,194.37
NON-CURRENT LIABILITIES:			
Long-term borrowings	7,798,934,484.94	7,646,122,995.91	7,646,122,995.91
Bonds payable	2,097,562,500.00	2,196,261,279.57	2,196,261,279.57
Long-term payables	3,900,255,693.44	5,550,881,435.64	5,550,881,435.64
Long-term employee benefits payable			
Provisions	325,259,082.28	325,259,082.28	325,259,082.28
Deferred income	1,862,395,197.61	2,133,757,550.21	2,133,757,550.21
Other non-current liabilities	2,047,948,069.73	250,000,000.00	250,000,000.00
Total non-current liabilities	18,032,355,028.00	18,102,282,343.61	18,102,282,343.61
Total liabilities	79,447,043,599.73	75,350,917,537.98	75,350,917,537.98

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Item	31 December 2018	1 January 2018	31 December 2017
Owners' equity:			
Share capital	2,904,608,200.00	1,936,405,467.00	1,936,405,467.00
Other equity instruments	7,465,500,000.00	10,048,300,000.00	10,048,300,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	2,988,000,000.00	5,570,800,000.00	5,570,800,000.00
Capital reserves	5,091,449,915.14	6,149,257,784.90	6,149,257,784.90
Less: treasury shares			
Other comprehensive income	-736,520,181.01	-354,165,127.80	-354,165,127.80
Special reserves	3,257,998.47		
Surplus reserves	1,148,888,912.11	1,132,116,106.40	1,132,116,106.40
General risk provisions	64,123,919.23		
Retained profit	9,107,422,690.85	8,866,614,844.40	8,866,614,844.40
Total equity attributable to owners of the Company	25,048,731,454.79	27,778,529,074.90	27,778,529,074.90
Minority interest	822,959,773.30	2,495,649,464.04	2,495,649,464.04
Total owners' equity	25,871,691,228.09	30,274,178,538.94	30,274,178,538.94
TOTAL LIABILITIES AND OWNERS' EQUITY	105,318,734,827.82	105,625,096,076.92	105,625,096,076.92

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

XIII Financial Report

2. Balance sheet of the Company

Unit: RMB

Item	31 December 2018	1 January 2018	31 December 2017
CURRENT ASSETS:			
Monetary funds	8,160,234,434.15	9,580,548,200.88	9,580,548,200.88
Held-for-trading financial assets		94,000,000.00	
Financial assets measured at fair value through profit or loss			94,000,000.00
Bills receivable and accounts receivable	1,785,939,152.84	795,283,825.96	795,283,825.96
Including: Bills receivable	436,662,187.80	787,095,075.51	787,095,075.51
Accounts receivable	1,349,276,965.04	8,188,750.45	8,188,750.45
Prepayments	1,584,388,551.00	742,107,273.09	742,107,273.09
Other receivables	19,405,314,961.24	22,351,203,484.83	22,351,203,484.83
Including: Interest receivable	77,257,506.25	55,570,669.83	55,570,669.83
Inventories	1,133,888,230.37	751,426,520.51	751,426,520.51
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	140,126,157.18	2,488,977.72	2,488,977.72
Total current assets	32,209,891,486.78	34,317,058,282.99	34,317,058,282.99

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Item	31 December 2018	1 January 2018	31 December 2017
NON-CURRENT ASSETS:			
Available-for-sale financial assets			2,453,000,000.00
Long-term receivables	516,925,607.06	456,925,607.06	456,925,607.06
Long-term equity investments	22,487,417,443.24	18,671,034,243.49	18,674,034,243.49
Investment in other equity instruments	3,000,000.00	3,000,000.00	
Other non-current financial assets	103,000,000.00	2,453,000,000.00	
Fixed assets	2,103,164,588.93	2,364,990,246.94	2,364,990,246.94
Construction in progress	2,014,493,138.68	973,375,557.42	973,375,557.42
Intangible assets	458,365,862.52	470,379,203.58	470,379,203.58
Deferred income tax assets	303,861,021.95	186,935,887.68	186,935,887.68
Other non-current assets	9,800,000.00	54,800,000.00	54,800,000.00
Total non-current assets	28,000,027,662.38	25,634,440,746.17	25,634,440,746.17
Total assets	60,209,919,149.16	59,951,499,029.16	59,951,499,029.16
CURRENT LIABILITIES:			
Short-term borrowings	7,668,689,104.31	7,522,637,247.14	7,522,637,247.14
Bills payable and accounts payable	11,318,835,274.79	6,945,776,495.21	6,945,776,495.21
Advance receipts			956,040,917.07
Contract liabilities	3,299,778,982.47	956,040,917.07	
Staff remuneration payables	53,899,651.15	47,546,116.66	47,546,116.66
Taxes payable	59,595,083.56	116,173,781.96	116,173,781.96
Other payables	5,465,488,890.52	2,190,981,135.04	2,190,981,135.04
Including: Interest payable	139,444,333.34	28,428,028.58	28,428,028.58
Dividend payable			
Non-current liabilities due within one year	3,256,715,148.39	1,318,429,260.12	1,318,429,260.12
Other current liabilities	3,527,956,481.68	10,797,248,631.76	10,797,248,631.76
Total current liabilities	34,650,958,616.87	29,894,833,584.96	29,894,833,584.96

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Item	31 December 2018	1 January 2018	31 December 2017
NON-CURRENT LIABILITIES:			
Long-term borrowings	1,335,482,969.43	908,182,122.65	908,182,122.65
Bonds payable	2,097,562,500.00	1,198,305,304.75	1,198,305,304.75
Long-term payables	2,072,502,840.48	4,605,691,332.13	4,605,691,332.13
Provisions	325,259,082.28	325,259,082.28	325,259,082.28
Deferred income	46,412,014.99	50,753,189.60	50,753,189.60
Other non-current liabilities	1,592,166,670.00	250,000,000.00	250,000,000.00
Total non-current liabilities	7,469,386,077.18	7,338,191,031.41	7,338,191,031.41
TOTAL LIABILITIES	42,120,344,694.05	37,233,024,616.37	37,233,024,616.37
OWNERS' EQUITY:			
Share capital	2,904,608,200.00	1,936,405,467.00	1,936,405,467.00
Other equity instruments	7,465,500,000.00	10,048,300,000.00	10,048,300,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	2,988,000,000.00	5,570,800,000.00	5,570,800,000.00
Capital reserves	4,953,557,435.19	5,938,960,168.19	5,938,960,168.19
Surplus reserves	1,136,699,330.20	1,119,926,524.49	1,119,926,524.49
Retained profit	1,629,209,489.72	3,674,882,253.11	3,674,882,253.11
Total owners' equity	18,089,574,455.11	22,718,474,412.79	22,718,474,412.79
TOTAL LIABILITIES AND OWNERS' EQUITY	60,209,919,149.16	59,951,499,029.16	59,951,499,029.16

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3. Consolidated Income Statement

Unit: RMB

Item	2018	2017
I. Total revenue	28,875,756,163.56	29,472,453,563.98
Including: Revenue	28,875,756,163.56	29,472,453,563.98
II. Total operating costs	26,218,114,318.70	25,420,763,580.37
Including: Operating costs	19,845,756,818.51	19,729,190,475.09
Taxes and surcharges	250,358,478.10	219,074,379.63
Sales and distribution expenses	1,190,499,238.49	1,304,465,552.27
General and administrative expenses	967,840,641.90	892,063,618.67
Research and development expense	929,873,688.40	1,017,306,281.19
Finance expenses	2,741,486,438.03	2,117,302,131.72
Including: Interest expenses	3,348,606,907.65	2,293,110,650.05
Interest income	692,370,142.41	606,383,791.43
Loss on impairment of assets	164,654,098.54	141,361,141.80
Credit impairment loss	127,644,916.73	
Plus: Other income	97,814,340.42	135,530,257.77
Investment income (“-” denotes loss)	248,962,910.68	161,009,000.23
Including: Investment income from associates and joint ventures	-20,475,760.38	18,506,834.57
Gain on change in fair value (“-” denotes loss)	-115,464,400.65	72,999,957.67
Gain on disposal of assets (“-” denotes loss)	17,149,722.72	-2,757,178.42
III. Operating profit (“-” denotes loss)	2,906,104,418.03	4,418,472,020.86
Plus: Non-operating income	319,396,237.27	445,266,368.30
Less: Non-operating expenses	19,184,539.11	327,259,815.63
IV. Total profit (“-” denotes total loss)	3,206,316,116.19	4,536,478,573.53
Less: Income tax expenses	641,577,494.92	777,515,726.86

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Item	2018	2017
V. Net profit (“-” denotes net loss)	2,564,738,621.27	3,758,962,846.67
(I) Net profit from continuing operations (“-” denotes net loss)	2,564,738,621.27	3,758,962,846.67
Net profit attributable to shareholders of the Company	2,509,828,858.47	3,769,325,450.93
Profit or loss of minority interest	54,909,762.80	-10,362,604.26
VI. Net other comprehensive income after tax	-382,355,053.21	451,080,644.09
Net other comprehensive income after tax attributable to shareholders of the Company	-382,355,053.21	451,080,644.09
(I) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-382,355,053.21	451,080,644.09
Exchange differences on translation of foreign operations	-382,355,053.21	451,080,644.09
Other comprehensive income attributable to minority interest, net of tax		
VII. Total comprehensive income	2,182,383,568.06	4,210,043,490.76
Total comprehensive income attributable to shareholders of the Company	2,127,473,805.26	4,220,406,095.02
Total comprehensive income attributable to minority interest	54,909,762.80	-10,362,604.26
VIII. Earnings per share:		
(I) Basic earnings per share	0.51	1.13
(II) Diluted earnings per share	0.51	1.13

Legal representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

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4. Income statement of the Company

Unit: RMB

Item	2018	2017
I. Revenue	5,674,841,840.67	7,200,923,503.96
Less: Operating costs	4,280,788,382.36	4,991,353,566.95
Taxes and surcharges	70,504,281.15	70,868,721.40
Sales and distribution expenses	170,956,908.96	246,355,160.28
General and administrative expenses	313,006,816.72	324,196,060.08
Research and development expense	217,377,973.03	291,249,441.11
Finance expenses	1,370,330,815.22	833,482,860.73
Including: Interest expense	2,392,019,845.76	2,123,134,292.34
Interest income	1,196,235,406.95	1,434,029,033.02
Impairment loss of assets	5,617,450.00	19,570,118.05
Credit impairment loss	2,970,370.50	
Plus: Other income	4,341,174.61	15,298,245.10
Investment income (“-” denotes loss)	728,792,644.01	138,737,944.94
Including: Investment income from associates and joint ventures	-16,957,355.99	-3,265,824.03
Gain on change in fair value (“-” denotes loss)	-94,000,000.00	94,000,000.00
Gain on disposal of assets (“-” denotes loss)	17,006,032.16	-2,279,308.98
II. Operating profit (“-” denotes loss)	-100,571,306.49	669,604,456.42
Plus: Non-operating income	158,610,672.64	165,438,580.73
Less: Non-operating expenses	7,236,443.34	325,759,082.28
III. Total profit (“-” denotes total loss)	50,802,922.81	509,283,954.87
Less: Income tax expenses	-116,925,134.27	-22,796,697.41
IV. Net profit (“-” denotes net loss)	167,728,057.08	532,080,652.28
(I) Net profit from continuing operations (“-” denotes net loss)	167,728,057.08	532,080,652.28
V. Net other comprehensive income after tax		
VI. Total comprehensive income	167,728,057.08	532,080,652.28
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

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5. Consolidated cash flow statement

Unit: RMB

Item	2018	2017
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	32,087,951,780.92	24,349,119,464.84
Tax rebates received	60,796,324.64	8,465,388.45
Cash received relating to other operating activities	6,920,381,377.58	828,266,108.48
Subtotal of cash inflows from operating activities	39,069,129,483.14	25,185,850,961.77
Cash paid for goods and services	19,899,777,030.88	14,516,886,986.15
Cash paid to and for employees	1,263,770,142.64	1,022,490,275.52
Payments of taxes and surcharges	2,104,645,214.45	1,631,366,603.20
Cash paid relating to other operating activities	1,701,235,208.13	7,991,341,053.97
Subtotal of cash outflows from operating activities	24,969,427,596.10	25,162,084,918.84
Net cash flows from operating activities	14,099,701,887.04	23,766,042.93
II. Cash flows from investing activities:		
Cash received from investments	2,390,000,000.00	
Cash received from investment income	375,641,400.00	16,861,111.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	698,360.18	2,165,782.79
Net cash received from disposal of subsidiaries and other business units	19,610,260.70	
Cash received relating to other investing activities		999,341,073.00
Subtotal of cash inflows from investing activities	2,785,950,020.88	1,018,367,966.90
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	3,608,698,828.73	2,252,963,203.35
Cash paid on investments	118,200,000.00	813,511,220.00
Net cash paid for acquiring subsidiaries and other business units		1,582,745,899.31
Cash paid relating to other investing activities	838,042,210.54	
Subtotal of cash outflows from investing activities	4,564,941,039.27	4,649,220,322.66
Net cash flows from investing activities	-1,778,991,018.39	-3,630,852,355.76

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Item	2018	2017
III. Cash flows from financing activities:		
Cash received from investments	500,000,000.00	40,000,000.00
Including: Cash received from by subsidiaries		
from minority investment	500,000,000.00	40,000,000.00
Cash received from borrowings	43,668,959,703.07	44,462,208,111.60
Cash received from issuance of bonds	898,650,000.00	
Cash received relating to other financing activities	16,718,183,724.57	22,416,411,567.84
Subtotal of cash inflows from financing activities	61,785,793,427.64	66,918,619,679.44
Cash repayments of amounts borrowed	38,860,270,293.67	36,461,483,259.93
Cash paid for dividend and profit distribution or interest payment	3,749,772,244.77	2,998,835,276.61
Including: Dividend and profit paid by subsidiaries		
to minority shareholders		
Cash paid relating to other financing activities	32,028,908,989.58	22,981,164,342.75
Subtotal of cash outflows from financing activities	74,638,951,528.02	62,441,482,879.29
Net cash flows from financing activities	-12,853,158,100.38	4,477,136,800.15
IV. Effect of foreign exchange rate changes on cash and cash equivalents	109,597,099.79	-45,503,158.48
V. Net increase in cash and cash equivalents	-422,850,131.94	824,547,328.84
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,804,408,374.46	1,979,861,045.62
VI. Balance of cash and cash equivalents as at the end of the period	2,381,558,242.52	2,804,408,374.46

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6. Cash flow statement of the Company

Unit: RMB

Item	2018	2017
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	6,040,539,799.02	3,463,130,926.30
Cash received relating to other operating activities	1,899,284,149.44	1,689,891,672.88
Subtotal of cash inflows from operating activities	7,939,823,948.46	5,153,022,599.18
Cash paid for goods and services	3,280,788,382.36	2,236,436,321.89
Cash paid to and for employees	388,826,518.74	391,883,575.09
Payments of taxes and surcharges	296,043,362.00	357,296,733.15
Cash paid relating to other operating activities	1,861,866,604.79	1,054,760,413.57
Subtotal of cash outflows from operating activities	5,827,524,867.89	4,040,377,043.70
Net cash flows from operating activities	2,112,299,080.57	1,112,645,555.48
II. Cash flows from investing activities:		
Cash received from investments	2,288,400,000.00	
Cash received from investment income	965,641,400.00	16,861,111.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	290,680.96	1,686,062.41
Cash received relating to other investing activities		900,000,000.00
Subtotal of cash inflows from investing activities	3,254,332,080.96	918,547,173.52
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	338,672,140.85	95,795,315.34
Cash paid on investments	3,794,390,597.05	4,823,511,220.00
Subtotal of cash outflows from investing activities	4,133,062,737.90	4,919,306,535.34
Net cash flows from investing activities	-878,730,656.94	-4,000,759,361.82

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Item	2018	2017
III. Cash flows from financing activities:		
Cash received from borrowings	10,473,500,000.00	26,018,893,778.41
Cash received from issuance of bonds	898,650,000.00	
Cash received relating to other financing activities	25,438,933,017.20	22,716,411,567.84
Subtotal of cash inflows from financing activities	36,811,083,017.20	48,735,305,346.25
Cash repayments of amounts borrowed	12,527,601,933.33	22,130,699,777.14
Cash paid for dividend and profit distribution or interest payment	1,602,928,591.75	3,596,708,489.03
Cash paid relating to other financing activities	24,309,884,284.53	19,674,703,816.85
Subtotal of cash outflows from financing activities	38,440,414,809.61	45,402,112,083.02
Net cash flows from financing activities	-1,629,331,792.41	3,333,193,263.23
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-16,693,638.05	-7,395,813.66
V. Net increase in cash and cash equivalents	-412,457,006.83	437,683,643.23
Plus:Balance of cash and cash equivalents as at the beginning of the period	1,020,262,069.85	582,578,426.62
VI. Balance of cash and cash equivalents as at the end of the period	607,805,063.02	1,020,262,069.85

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

Unit: RMB

Item	2018										Total owners' equity				
	Equity attributable to owners of the Company														
	Other equity instruments			Less:							Subtotal	Minority interest			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions			Retained profit	Others	
I. Balance as at the end of the prior year	1,936,405,467.00	4,477,530,000.00	5,570,800,000.00		6,149,257,784.90		-354,165,127.80	1,132,116,106.40	1,132,116,106.40		8,866,614,844.40		21,778,529,074.90	2,456,649,464.04	30,274,178,538.94
II. Balance as at the beginning of the year	1,936,405,467.00	4,477,530,000.00	5,570,800,000.00		6,149,257,784.90		-354,165,127.80	1,132,116,106.40	1,132,116,106.40		8,866,614,844.40		21,778,529,074.90	2,456,649,464.04	30,274,178,538.94
III. Changes in the period ("+" denotes increase)	962,202,733.00		-2,952,800,000.00		-1,057,807,893.76		-382,853,032.21	3,257,989.47	16,772,806.71	64,123,919.23	240,807,246.45		-2,729,797,620.11	-4,672,699,690.74	-4,402,497,310.65
(I) Total comprehensive income							-382,853,032.21								
(II) Capital paid in and reduced by owners			-2,952,800,000.00		-17,200,000.00										
1. Ordinary shares paid by owners															
2. Capital paid by holders of other equity instruments					-17,200,000.00										
3. Others															
(III) Profit distribution															
1. Transfer to surplus reserves									16,772,806.71		-16,772,806.71				
2. Transfer to general risk provisions										64,123,919.23	-64,123,919.23				
3. Distribution to owners (or shareholders)													-2,188,124,287.08		-2,188,124,287.08
(IV) Transfer within owners' equity	962,202,733.00				-1,040,807,893.76								-72,405,138.76	-2,271,599,463.54	-2,300,004,602.30
1. Capital (or share capital) created on capital reserve	962,202,733.00				-962,202,733.00										
2. Others					-72,405,138.76									-2,271,599,463.54	-2,300,004,602.30
(V) Special reserves							3,257,989.47							3,257,989.47	3,257,989.47
1. Withdrawal							-3,257,989.47								
IV. Balance as at the end of the period	2,936,608,200.00	4,477,530,000.00	2,998,000,000.00		5,091,449,915.14		-736,201,810.01	3,257,989.47	1,448,889,912.11	64,123,919.23	9,107,822,690.65		25,049,731,464.79	822,939,773.30	25,871,671,238.09

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Amount for the prior period

Unit: RMB

Item	2017															
	Equity attributable to owners of the Company															
	Other equity instruments															
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less:	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others	Subtotal	Minority interest	Total owner's equity
I. Balance as at the end of the prior year	1,938,405,467.00	4,477,500,000.00	2,558,800,000.00	6,149,257,784.90	6,149,257,784.90		-805,245,771.89	-805,245,771.89	1,132,116,106.40	1,132,116,106.40		6,745,974,781.02	22,218,808,387.43	346,050,847.76	22,564,853,215.19	
II. Balance as at the beginning of the year	1,938,405,467.00	4,477,500,000.00	2,558,800,000.00	6,149,257,784.90	6,149,257,784.90		-805,245,771.89	-805,245,771.89	1,132,116,106.40	1,132,116,106.40		6,745,974,781.02	22,218,808,387.43	346,050,847.76	22,564,853,215.19	
III. Changes in the period ("+" denotes increase)			2,988,000,000.00				451,080,644.09	451,080,644.09				2,120,640,863.38	5,595,720,707.47	21,149,538,616.28	7,708,319,220.75	
(I) Total comprehensive income							451,080,644.09	451,080,644.09				3,789,253,493.93	4,220,406,095.02	-10,382,804.26	4,210,049,490.76	
(II) Capital paid in and reduced by owners			2,988,000,000.00										2,988,000,000.00	2,159,967,220.54	5,147,967,220.54	
1. Ordinary shares paid by owners														2,159,967,220.54	2,159,967,220.54	
2. Capital paid by holders of other equity instruments			2,988,000,000.00										2,988,000,000.00		2,988,000,000.00	
(III) Profit distribution												-1,648,665,387.55	-1,648,665,387.55		-1,648,665,387.55	
1. Distribution to owners (or shareholders)												-1,648,665,387.55	-1,648,665,387.55		-1,648,665,387.55	
IV. Balance as at the end of the period	1,938,405,467.00	4,477,500,000.00	5,570,800,000.00	6,149,257,784.90	6,149,257,784.90		-354,165,127.80	-354,165,127.80	1,132,116,106.40	1,132,116,106.40		8,866,614,644.40	27,778,529,074.90	2,145,648,464.04	30,274,175,339.94	

8. Statement of changes in equity of owners of the Company
Amount for the reporting period

Unit: RMB

Item	2018						Total owner's equity				
	Share capital	Preference shares	Other equity instruments	Others	Capital reserves	Less: treasury shares		Other comprehensive income	Retained profit	Others	
I. Balance as at the end of the prior year Plus: Others	1,936,405,467.00	4,477,500,000.00	5,570,200,000.00	5,570,200,000.00	5,333,960,165.19	5,333,960,165.19	1,119,926,524.49	3,674,382,253.11	-8,503,277.68	22,718,474,427.79	-8,503,277.68
II. Balance as at the beginning of the year	1,936,405,467.00	4,477,500,000.00	5,570,200,000.00	5,570,200,000.00	5,333,960,165.19	5,333,960,165.19	1,119,926,524.49	3,666,278,254.43		22,718,970,655.11	
III. Changes in the period ("-" denotes decrease)	963,202,733.00		-2,582,200,000.00	-2,582,200,000.00	-963,402,733.00	-963,402,733.00	16,772,805.71	-2,037,169,055.71	167,728,057.08	-4,620,396,230.00	167,728,057.08
(I) Total comprehensive income											
(II) Capital paid in and reduced by owners			-2,582,200,000.00	-2,582,200,000.00	-17,200,000.00	-17,200,000.00				-2,600,000,000.00	
1. Capital paid by holders of other equity instruments											
2. Others					-17,200,000.00	-17,200,000.00				-2,600,000,000.00	
(III) Profit distribution											
1. Transfer to surplus reserves											
2. Distribution to owners (or shareholders)											
(IV) Transfer within owners' equity	963,202,733.00				-963,202,733.00	-963,202,733.00					
1. Capital (or share capital) created on capital reserve											
2. Capital (or share capital) created on capital reserve	963,202,733.00				-963,202,733.00	-963,202,733.00					
IV. Balance as at the end of the period	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	2,988,000,000.00	4,363,557,435.19	4,363,557,435.19	1,136,699,330.20	1,629,209,188.72		18,093,574,455.11	

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Amount for the prior period

Unit: RMB

Item	2017										Total owner's equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	
I. Balance as at the end of the prior year	1,936,405,467.00	4,477,500,000.00	2,582,200,000.00		5,888,960,188.19			1,119,926,524.49	4,791,466,988.38		20,847,079,148.06
II. Balance as at the beginning of the year	1,936,405,467.00	4,477,500,000.00	2,582,200,000.00		5,888,960,188.19			1,119,926,524.49	4,791,466,988.38		20,847,079,148.06
III. Changes in the period ("decreases decrease")											
(I) Total comprehensive income			2,988,000,000.00							-1,116,694,735.27	1,871,305,264.73
(II) Capital paid in and reduced by owners			2,988,000,000.00							532,080,652.28	532,080,652.28
1. Capital paid by holders of other equity instruments			2,988,000,000.00								2,988,000,000.00
(III) Profit distribution										-1,648,885,387.55	2,988,000,000.00
1. Distribution to owners (or shareholders)										-1,648,885,387.55	-1,648,885,387.55
IV. Balance as at the end of the period	1,936,405,467.00	4,477,500,000.00	5,570,200,000.00		5,888,960,188.19			1,119,926,524.49	3,674,882,233.11		22,718,474,412.79

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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, among other things, 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, hotel service, equipment financial and operating leasing, magnesite mining, processing and sales of talc.

The financial statements were considered and approved by the board of directors of the Company (the “Board”) on 29 March 2019. 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 2018 totalled 66. For details, please refer to Note VIII “Equity in other entities”. The scope of consolidation of the Company during the year had 4 more companies included and one companies excluded compared to the prior year. For details, please refer to Note VII “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 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 42 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, the financial statements are prepared under the historical cost convention. Held-for-sale non-current assets are measured at the lower of the difference of fair value less expected expenses or the original carrying amount when meeting the conditions of holding for sale. 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.

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V. Significant Accounting Policies and Accounting Estimates

Whether the Company needs to comply with the disclosure requirements for specific industries

No

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in machine-made paper, electricity and heat, construction materials, paper making chemical products, financial leasing, hotel management and other operations. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition, determination of performance progress and R&D expenses based on their actual production and operation characteristics pursuant to the requirements under the relevant accounting standards for business enterprises. For details, please refer to this Note V. 29 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 33 “Change of 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 2018 and relevant information such as the operating results and cash flows for 2018. 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.

4. Functional currency

The Company and its domestic subsidiaries recognise RMB as their functional currency according to the primary economic environment in which they operate. The functional 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”), Euro (“EUR”) and South Korean Won (“KRW”) as their respective functional currency according to the general economic environment in which these subsidiaries operate. The Company prepares its financial statements in RMB.

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

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

(1) Business combinations 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 the absorbing party effectively obtains control of the party being absorbed.

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.

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

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

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

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 acquiree 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 12 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.

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". 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. 16 "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:

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

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

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

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 remeasuring 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 remeasuring 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.

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.

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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

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 combinations 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.

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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 remeasuring 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. 16 “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” 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.

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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. 16 (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 amount 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 the functional currency at the prevailing spot exchange rate on the date of exchange, i.e. usually 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 of the Company in connection with foreign currency exchange shall be translated into the functional currency at the exchange rate actually adopted.

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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 the functional 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 average exchange rate for the period in which the transaction occurred. 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.

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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)*

Cash flow dominated in foreign currency or from foreign subsidiaries shall be translated at the average exchange rate for the period in which the transaction occurred. 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.

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.

(1) Classification, recognition and measurement of financial assets

The Company classifies the financial assets according to the business model for managing the financial assets and characteristics of the contractual cash flows as follows: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognised. Accounts receivable or bills receivable arising from sales of goods or rendering services or without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

XIII Financial Report

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

10. Financial instruments (Cont'd)

(1) Classification, recognition and measurement of financial assets (Cont'd)

① Financial assets measured at amortised cost

The Company's business model for managing the financial assets measured at amortised cost is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. That is, the cash flows generated on a specific date, represent solely payment of the principal and interest on the outstanding principal amount. The Company subsequently measures such financial assets at amortised cost using effective interest method, and the gains or losses from amortisation or impairment is recognised in profit or loss for the current period.

② Financial assets measured at fair value through other comprehensive income

The Company's business model for managing such financial assets is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured by the Company at fair value through other comprehensive income, but the impairment losses or gains, exchange gains or losses, and interest income calculated by effective interest method are recognised in profit or loss for the current period.

In addition, the Company designates certain equity instruments not held for trading as financial assets measured at fair value through other comprehensive income. The Company recognises the dividends related to such financial assets in profit or loss for the current period. Upon derecognition of such financial assets, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained earnings, and will not be included in profit or loss for the current period.

③ Financial assets measured at fair value through profit or loss

The Company classifies the financial assets other than those measured at amortised cost and measured at fair value through other comprehensive as financial assets measured at fair value through profit or loss. In addition, upon initial recognition, the Company designates some financial assets as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatch. The Company subsequently measures such financial assets at fair value, and the changes in fair value are recognised in profit or loss for the current period.

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

10. Financial instruments (Cont'd)

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities are classified as financial liabilities measured at fair value through profit or loss and other financial liabilities at initial recognition. For financial liabilities measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the period. For other financial liabilities, relevant transaction costs are included in the amount initially recognised.

① Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss comprise held-for-trading financial liabilities (including derivatives under financial liabilities) and financial liabilities designated as measured at fair value through profit or loss upon initial recognition.

Held-for-trading financial liabilities (including derivatives under financial liabilities) are subsequently measured at fair value, and the changes in fair value are recognised in profit or loss for the current period, except for those related to hedging accounting.

The changes in fair value attributable to the changes in the Company's own credit risk of the financial liabilities designated as measured at fair value through profit or loss are recognised in other comprehensive income, and the accumulated changes in fair value attributable to the changes in the Company's own credit risk which were recognised in other comprehensive income are transferred to retained earnings upon derecognition of such liabilities. The remaining changes in fair value are recognised in profit or loss for the current period. In case that the above accounting treatment for the effect of changes in such financial liabilities' own credit risk would create, or enlarge, an accounting mismatch, the Company will recognise all gains or losses (including the amount affected by the changes in the Company's own credit risk) of such financial liabilities in profit or loss for the current period.

② Other financial liabilities

Other financial liabilities, except for financial liabilities arising from transfer of financial assets not satisfying derecognition criteria or continue involvement of transferred financial assets and financial guarantee contracts liability, are classified as financial liabilities measured at amortised cost and are subsequently measured at amortised cost, and the gains or losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

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

10. Financial instruments (Cont'd)

(3) 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 amount of the financial assets transferred and the sum of the consideration received from the transfer and the accumulated changes in fair value originally included in other comprehensive income shall be recognised in the profit or loss for 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 needs 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.

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

10. Financial instruments (Cont'd)

(4) Derecognition of financial liabilities

Financial liabilities (or a part thereof) are derecognised 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. In case that the Company makes substantial changes to the contractual terms of the original financial liabilities (or a part thereof), the original financial liabilities are derecognised, and the new financial liabilities are recognised in accordance with the revised terms.

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

(5) 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 net amount of 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.

(6) 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. During the valuation process, the Company uses valuation techniques appropriate to the prevailing circumstances with the support of sufficient data and other information available, selects inputs consistent with the characteristics of the assets or liabilities considered in the transactions of relevant assets or liabilities by market participants, and gives priority to relevant observable inputs. Unobservable inputs are used only when relevant observable inputs are not accessible or the access to which is impracticable.

XIII Financial Report

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

10. Financial instruments (Cont'd)

(7) 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. Transaction costs related to equity transactions are deducted from equity. The Company does not recognise the movement in fair value of equity instruments.

The dividends distributed by the Company for its equity instruments (including the "interest" arising from the instruments classified as equity instruments) during the existence period are accounted for as profit distribution.

11. Bills receivable and accounts receivable

(1) Method for determining the expected credit loss of bills receivable

The Company measures the loss provisions for bills receivable in accordance with the expected credit loss amount for the entire period. Based on the credit risk characteristics of bills receivable, bills receivable are divided into different groups:

Item	Basis for determining the groups
Bank acceptance bills	The acceptance party is a bank with less credit risk
Commercial acceptance bills	The acceptance party is a company with higher credit risk

(2) Method for determining the expected credit loss of accounts receivable

For receivables and contract assets that do not contain significant financing components, the Company measures loss provisions based on the expected credit loss amount for the entire period.

For receivables, contract assets and lease receivables that contain significant financing components, the Company chooses to always measure the loss provision based on the expected credit loss amount for the entire period.

In addition to accounts receivable and contract assets which are individually assessed for credit risk, they are also classified into different groups based on their credit risk characteristics:

Item	Basis for determining the groups
Amount due from related parties	This group comprises amounts due from related parties with lower risks.
Factoring receivables	This group comprises factoring receivables with special risks.
Amount due from distributor customers	This group comprises receivables with their ageing as credit risk characteristics.

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

12. Other receivables

The Company measures impairment losses using the expected credit losses amount in the next 12 months or the entire duration, based on whether the credit risk of other receivables has increased significantly upon initial recognition. In addition to other receivables which are individually assessed for credit risk, they are also classified into different groups based on their credit risk characteristics:

Item	Basis for determining the groups
Dividends receivable	This group comprises dividends receivable.
Interest receivable	This group comprises interest due from financial institutions.
Amount due from government agencies	This group comprises amount due from government agencies with less risks.
Amount due from related parties	This group comprises amount due from related parties with less risks.
Other receivables	This group comprises for all types of deposits, advances and premiums receivable during daily and recurring activities.

13. Inventories

Whether the Company needs to comply with the disclosure requirements for specific industries

No

(1) Classification of inventories

Inventories mainly include raw materials, work in progress and semi-finished products, turnover materials, finished products and goods etc.

(2) Pricing of inventories received and dispatched

Inventories are measured at their planned cost when obtained. Cost of an inventory consists of purchase costs, processing costs and other costs. The difference between the planned cost and the actual cost is calculated by cost variance account, and the cost difference assumed for the inventories will be pay by instalment, so as to adjust the planned cost to the actual cost.

Consumable biological assets refer to biological assets held-for-sale which include growing timber. Consumable biological assets without a stock are stated at historical 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.

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

13. 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 practicably valued 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.

(5) Amortisation of low-value consumables and packaging materials

Low-value consumables and packaging materials are amortised when issued for use.

14. Other non-current financial assets

The Company's business model for managing such financial assets is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured by the Company at fair value through other comprehensive income, but the impairment losses or gains, exchange gains or losses, and interest income calculated by effective interest method are recognised in profit or loss for the current period.

In addition, the Company designates certain equity instruments not held for trading as financial assets measured at fair value through other comprehensive income. The Company recognises the dividends related to such financial assets in profit or loss for the current period. Upon derecognition of such financial assets, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained earnings, and will not be included in profit or loss for the current period.

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

15. Long-term receivables

The Company measures the impairment loss of long-term receivables at an amount equal to the expected credit loss in the next 12 months or the lifetime expected credit loss ECL, depending on whether its credit risk has significantly increased upon initial recognition. Other than the long-term receivables assessed individually for credit risks, long-term receivables are classified into different groups based on their credit risk characteristics:

Item	Basis for determining the groups
Long-term receivables not yet past due	This group is comprised of long-term receivables not yet past due with normal exposures.
long-term receivables overdue	This group is comprised of long-term receivables with higher past due exposures.

16. 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 financial assets measured at fair value through profit or loss. In case such equity investment is not held for sale, then the Company may choose to designate such equity investment as financial assets measured at fair value through other comprehensive income. 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.

(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 shareholders' 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 carrying amount 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 shareholders' 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 do 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 shareholders' 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 financial assets measured at fair value through other comprehensive income will not be accounted for.

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

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

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

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 do 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.

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 amount 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.

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

16. 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 amount 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 amount 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 amount 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.

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

16. 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 *(Cont'd)*

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.

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.

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

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

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

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

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.

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 the 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.

XIII Financial Report

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

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

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

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

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.

17. Investment property

Investment property refers to real estate held to earn rentals or for capital appreciation, or both, which include leased land use rights, land use rights held for sale after appreciation, leased buildings, etc. In addition, for the vacant buildings that the Company holds for operating leases, if the Board (or similar bodies) makes a written decision that it is explicitly used for operating leases and that the holdings do not change in the short term, they are also presented as investment property.

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.

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

17. Investment property (Cont'd)

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

The method for impaired test of investment property and measurement of impairment provision are detailed in Note V. 23 "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. For investment property measured at cost during its conversion, upon the conversion, the property shall be stated at the carrying amount prior to the conversion. For investment property measured at fair value during its conversion, upon the conversion, the property shall be stated at the fair value on the date of 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.

18. Fixed assets

(1) Conditions for recognition

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.

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

18. Fixed assets (Cont'd)

(2) Depreciation method

Category	Depreciation method	Useful lives of depreciation (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building structure	Straight-line method	20-40	5-10	2.25-4.75
Machinery and equipment	Straight-line method	8-20	5-10	4.50-11.88
Transportation equipment	Straight-line method	5-8	5-10	11.25-19.00
Electronic equipment and others	Straight-line method	5	5-10	18.00-19.00

(3) Recognition, accounting and depreciation 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.

19. Construction in progress

Whether the Company needs to comply with the disclosure requirements for specific industries

No

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. 23 "Impairment of long-term asset".

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

20. 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.

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.

21. Biological assets

Consumable biological assets refer to biological assets held-not-for-sale, which include forest trees being grown. Consumable biological assets are stated at cost at initial recognition. The cost of self-planting, self-cultivating, self-breeding or self-farming 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 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 amount using the batch averaging method.

On the balance sheet date, consumable biological assets are measured at the lower of cost and net realisable value, and the impairment provision for consumable biological assets is made using the same approach as that used for the recognition of impairment provision for inventories. In case the factors causing impairment no longer exists, the reduced amount shall be recovered and reversed in the provision amount originally provided for impairment. The reversed amount shall be recognised in profit or loss for the current period.

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

22. Intangible assets

(1) Measurement method, useful life and impairment testing

For details of the method of impairment testing and impairment provision of intangible assets, please see Note V. 23 "Impairment of long-term assets".

(2) Accounting policy of internal 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.

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

23. 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.

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.

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

24. 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.

25. Contract liabilities

A contract liability represents the Company's obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer has already paid the contract consideration before the Company transfers goods to the customer or the Company has obtained the unconditional collection right, the Company will recognise such amount received or receivable as contract liabilities at earlier of the actual payment by the customer or the amount payable becoming due. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

26. Employee benefits

(1) Accounting treatment for short-term staff remuneration

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.

(2) Accounting treatment for post-employment benefits

Post-employment benefits mainly include pension insurance premium and unemployment insurance premium. Postemployment benefits include defined contribution plan. For those adopted defined contribution plan, 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.

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

26. Employee benefits (Cont'd)

(3) Accounting treatment for termination benefits

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.

(4) Accounting treatment for other long-term employee benefit

For other long-term employee benefit provided by the Company for employees which meets the criteria of defined contribution plan, accounting treatment for defined contribution plan will be adopted; otherwise accounting treatment for defined benefit plan will be adopted.

27. Provisions

Obligations pertinent to the contingencies which satisfy the following conditions are recognised as provisions: (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, provisions 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 provisions 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 provisions.

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

28. Preference shares, perpetual bonds and other financial instruments

(1) Classification of perpetual bonds and preference shares

Perpetual bonds, preference shares and other financial instruments issued by the Company are classified as equity instruments when all of the following conditions are satisfied:

- ① The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or financial liabilities under potential adverse condition with other parties;
- ② If the financial instrument will or may be settled in the entity's own equity instruments, it is a non-derivative instrument that includes no contractual obligations to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Company exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

Other than financial instruments classified as equity instruments according to the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

The financial instruments issued by the Company which are compound financial instruments are recognised as a liability based on the fair value of the liability component, and the amount net of the fair value of the liability component from the actual amount received is recognised as "other equity instruments". Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of gross proceeds.

(2) Accounting treatment of perpetual bonds and preference shares

For financial instruments classified as financial liabilities (such as perpetual bonds and preference shares), except borrowing costs qualifying for capitalisation (please refer to this Note V. 20 "Borrowing costs"), its related interest, dividends, gains or losses, and gains or losses arising from redemption or refinancing are credited to profit or loss for the current period.

For financial instruments classified as equity instruments (such as perpetual bonds and preference shares), its issue (including refinancing), repurchase, sale or cancellation are treated by the Company as changes in equity, with related transaction costs deducted from equity. The Company's distribution to holders of equity instruments are treated as a distribution of profits.

Changes in the fair value of equity instruments are not recognised by the Company.

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

29. Revenue

Whether the Company needs to comply with the disclosure requirements for specific industries

No

Accounting policies adopted for revenue recognition and measurement

Revenue is recognised when the customer obtains control of the relevant goods, subject to the fulfilment of the following conditions under the contract entered into between the Company and customers: the parties has approved the contract and undertaken to fulfil their respective obligations; the contract clearly states the parties to the contract and their rights and obligations relating to the transferred goods and rendered services; the contract clearly stated the payment terms relating to the transferred goods; the contract has commercial substance that the fulfilment of the contract will result in changes in the risk, time frame or amount of the future cash flow risk of the Company; the collection of the consideration that the Company is entitled to for transferring the goods is probable.

On the effective date of the contract, the Company identifies each performance obligation under such contracts and allocate the transaction price to each performance obligation based on the percentage of respective unit price of a good guaranteed by each performance obligation. The determination of the transaction price has taken into account the impact of factors such as variable consideration, the significant financing component existed in the contract, non-cash consideration, consideration payable to the customers.

For each of the performance obligations under the contract, if one of the following conditions is fulfilled, the Company shall recognise the transaction price which was allocated to each of the performance obligations as revenue based on the progress of performance within a certain period: when the customer simultaneously receives and consumes the benefits provided by the Company when the Company performs its obligations under the contract; when the customer is able to control the good in progress in the course of performance by the Company under the contract; when the product produced by the Company under the contract is irreplaceable and the Company has the right to payment for performance completed to date during the whole contract term. The progress of performance is determined based on the nature of the transferred goods with the adoption of input method or output method. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be recoverable, the revenue will be recognised to the extent of the costs incurred until the progress of performance can be reasonably determined.

If one of the above conditions is not fulfilled, the Company shall recognise the transaction price which was allocated to each of the performance obligations as revenue when the customer is able to control the relevant goods. When determining whether the customer has obtained control of the goods, the Company will consider the following indications: the enterprise has the current right to receive payment for the goods, which is when the customers has the current payment obligations for the goods; the enterprise has transferred the legal title of the goods to the customer, which is when the client possesses the legal title of the goods; the enterprise has transferred the physical possession of goods to the customer, which is when the customer obtain physical possession of the goods; the enterprise has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the client obtain all of the substantial risks and rewards of ownership of the goods to the customer; when the customer has accepted the goods, which is when other information indicates that the customer has obtained control of the goods.

The point of time of recognition of revenue for sales of goods: the date when the goods are delivered to the customers with signature confirmation for the domestic sales business, and the date when the goods are loaded onto a vessel and declared at customs for the overseas sales business.

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

30. 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 investor entitling to corresponding owners' equity. 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. 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; (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; and (4) other relevant conditions (if any) which should be satisfied according to the specific conditions of the Company and the matters relating to such grants.

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 in a reasonable and systematic manner. For a government grant related to income, if the grant is a compensation for related costs, 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 or losses are recognised, or off set against the relevant costs or expenses; if the grant is a compensation for related costs, expenses or losses already incurred, the grant shall be recognised immediately in profit or loss for the current period.

If a government grant contains both assets related and income related component at the same time, the accounting treatment will depend on the different parts of the government grant; if it is difficult to distinguish, the entire government grant is classified as a government grant related to income.

A government grant related to daily activities of the Company is recognised in other gains or off set relevant costs or expenses relying on the essence of economic business; otherwise, recognised in non-operating income or non-operating expenses.

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; otherwise, the repayment shall be recognised immediately in profit or loss for the current period.

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

31. 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.

(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.

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

31. 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.

32. Lease

(1) Accounting treatment for operating 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. 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.

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

32. Lease (Cont'd)

(1) Accounting treatment for operating leases (Cont'd)

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.

(2) Accounting treatment for finance leases

① 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.

② 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.

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

33. Changes in significant accounting policies and estimates (Cont'd)

(1) Changes in significant accounting policies

Applicable Not applicable

Changes in accounting policies resulting from the implementation of the new Accounting Standards for Business Enterprises

The Ministry of Finance issued the “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (revised in 2017)” (Cai Kuai (2017) No. 7), “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets (revised in 2017)” (Cai Kuai (2017) No. 8) and “Accounting Standard for Business Enterprises No. 24 – Hedging Accounting (revised in 2017)” (Cai Kuai (2017) No. 9) on 31 March 2017, issued “Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (revised in 2017)” (Cai Kuai (2017) No. 14) on 2 May 2017 (the “New Standards for Financial Instruments”), and issued “Accounting Standard for Business Enterprises No. 14 – Revenue (revised in 2017)” (Cai Kuai (2017) No. 22) on 5 July 2017 (the “New Standard for Revenue”), which required the enterprises listed in both domestic and overseas markets and the enterprises listed in overseas markets and adopting the International Financial Reporting Standards or Accounting Standards for Business Enterprises for financial report preparation to adopt the New Standards for Financial Instruments and the New Standard for Revenue from 1 January 2018.

As approved at the eleventh meeting of the eighth session of the Board of the Company on 25 October 2018, the Company began to adopt the above five accounting standards within the timeframe as required by the Ministry of Finance.

Under the New Standards for Financial Instruments, all recognised financial assets are measured at amortised cost or fair value subsequent to initial recognition. On the adoption date of the New Standards for Financial Instruments, through assessing the business model of the management on financial assets based on the Company’s existing facts and conditions on that date, and through assessing the characteristics of contract cash flows of the financial assets based on the facts and conditions at the initial recognition of such financial assets, the financial assets are classified into three categories: measured at amortised cost, measured at fair value through comprehensive income; and measured at fair value through profit or loss. Among other things, for the equity instrument investment measured at fair value through comprehensive income, upon derecognition of such financial assets, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained earnings, and will not be included in profit or loss for the current period.

XIII Financial Report

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

33. Changes in significant accounting policies and estimates (Cont'd)

(1) Changes in significant accounting policies (Cont'd)

Under the New Standards for Financial Instruments, the Company makes provision for impairment and recognise credit impairment loss for financial assets measured at amortised cost, investment in debt instruments measured at fair value through other comprehensive income, lease receivables, contract assets and financial guarantee contracts based on their expected credit losses.

The Company adopts the New Standards for Financial Instruments retrospectively, but chooses not to make restatement in case there is any inconsistency with the requirements of the New Standards for Financial Instruments for the comparative figures in the financial statements of prior periods.

In order to adopt the New Standard for Revenue, the Company reassessed the recognition and measurement, accounting and presentation and other aspects of major contract revenues. According to the New Standard for Revenue, the Company chooses to adjust only the cumulative impact of contracts that were not completed as at 1 January 2018. The retained earnings as at the beginning of the first adoption period (i.e. 1 January 2018) and the amounts of relevant items in the financial statements are adjusted with the cumulative impacted amounts of first adoption, and no adjustment has been made to the financial statements of 2017. Since the adoption of the New Standard for Revenue has no material impact on the recognition and measurement of the Company's revenue, only the advance receipts will need to be adjusted.

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) Adjustment to the relevant items in the financial statements at the beginning of the year for the adoption of the New Standards for Financial Instruments or the New Standard for Revenue for the first time

Applicable Not applicable

A. Comparison of recognition and measurement of financial assets before and after the adoption of the New Standards for Financial Instruments

Category of financial assets	31 December 2017 (before change)		1 January 2018 (after change)	
	Category of measurement	Carrying amount	Category of measurement	Carrying amount
Bills receivable and accounts receivable	Loans and receivables	7,886,097,430.59	Amortised cost	7,886,097,430.59
Available-for-sale financial assets	Available-for-sale financial assets	2,453,000,000.00	Financial assets measured at fair value through profit or loss	2,453,000,000.00
			Financial assets measured at fair value through other comprehensive income	—

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

33. Changes in significant accounting policies and estimates (Cont'd)

- (3) Adjustment to the relevant items in the financial statements at the beginning of the year for the adoption of the New Standards for Financial Instruments or the New Standard for Revenue for the first time (Cont'd)

B. Reconciliation of the category and carrying amount of financial instruments on the date of first adoption

Item	31 December 2017 (before change)	Reclassification	Remeasurement	1 January 2018 (after change)
Assets:				
Financial assets measured at				
air value through profit or loss	94,000,000.00	-94,000,000.00		
Held-for-trading financial assets		94,000,000.00		94,000,000.00
Available-for-sale financial assets	2,453,000,000.00	-2,453,000,000.00		
Other non-current financial assets				
		2,453,000,000.00		2,453,000,000.00

C. Impact of the adoption of the New Standard for Revenue on the Company:

Change	Item	Amount as at 1 January 2018 (after change)	Amount as at 31 December 2017 (before change)
Advances on sales	Contract liabilities	243,182,891.22	
Advances on sales	Advance receipts		243,182,891.22

- (4) Explanation on the retrospective adjustment to the comparative data in prior period for the first adoption of the New Standards for Financial Instruments

Applicable Not applicable

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VI. Taxation

1. Main tax types and tax rates

Tax type	Tax base and tax rate
Value added tax (VAT)	16% for general, 10% for sales of water and gas and 6% for the service industry. VAT is computed on the difference after deduction of input value-added tax.
Urban maintenance and construction tax	7%, 5% and 1% of actual payment of turnover tax.
Enterprise income tax (EIT)	25% of taxable income; for the companies which are subject to preferential policies, please refer to the table below; the overseas companies shall pay taxes at the tax rate pursuant to the requirements of the countries or regions where the companies are located.

Disclosure of taxable entities subject to different EIT tax rates

Name of taxable entity	EIT tax rate
Shandong Chenming Paper Holdings Limited	15%
Haicheng Haiming Mining Company Limited	15%
Shouguang Meilun Paper Co., Ltd.	15%
Jilin Chenming Paper Co., Ltd.	15%
Jiangxi Chenming Paper Co., Ltd.	15%
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15%
Shouguang Shun Da Customs Declaration Co, Ltd.	10%
Qingdao Chenming Pulp and Paper Electronic Commodity Exchange Co., Ltd.	10%
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Yangjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT

2. Tax incentives

(1) Enterprise income tax

On 16 August 2018, the Company received a high and new technology enterprise certificate with a certification number of GR201837000311. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, the Company is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

Haicheng Haiming Mining Company Limited, a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201821000291 on 12 October 2018. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Haicheng Haiming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

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VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise income tax (Cont'd)

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201837000455 on 16 August 2018. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201622000039 on 1 November 2016. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jilin Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2016 to 2018.

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201636000018 on 15 November 2016. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jiangxi Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2016 to 2018.

For Zhanjiang Chenming Pulp & Paper Co., Ltd., which is a subsidiary of the Company, its high and new technology enterprise certificate with a certification number of GR20154400016 obtained on 30 September 2015 has expired, and is making a renewal application. It has passed the preliminary review and issued an announcement. As at the date of the audit report, it has not obtained the new high and new technology enterprise certificate, and is subject to an EIT tax rate of 15% for the current period.

Pursuant to the requirements of Rule 27(1) of Law of the People's Republic of China on Enterprise Income Tax and Rule 86(1) of regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd. and Yangjiang Chenming Arboriculture Development Co., Ltd., which are the subsidiaries of the Company, have completed the filings for EIT reduction for exemption from EIT.

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VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(2) Value-added Tax ("VAT")

Pursuant to Rule 10 of the Interim Regulation of the People's Republic of China on Value Added Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd. and Yangjiang Chenming Arboriculture Development Co., Ltd., which are the subsidiaries of the Company, are exempt from VAT, and have completed the filings for VAT reduction for exemption from VAT.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Zhanjiang Chenming New-style Wall Materials Co., Ltd., a subsidiary of the Company, produced products applying raw materials containing more than 30% of fly ash. It belongs to a company that uses pollutants for production, and is therefore subject to the immediate VAT refund policy in 2018.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Shandong Chenming Panels Co., Ltd., a subsidiary of the Company, produced products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2018.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Shouguang Chenming Cement Co., Limited, a subsidiary of the Company, produced products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2018.

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VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	2,078,321.66	2,344,438.45
Bank deposit	2,379,479,920.86	2,802,063,936.01
Other monetary funds	16,911,216,505.27	11,639,084,086.97
Total	19,292,774,747.79	14,443,492,461.43
Of which: Total deposits in overseas banks	614,601,451.77	508,707,081.55

- Notes:
- ① Other monetary funds of RMB9,099,325,370.71 (31 December 2017: RMB4,822,551,296.94) were the guarantee deposit for the application for bank acceptance with the banks by the Group.
 - ② Other monetary funds of RMB3,703,195,695.22 (31 December 2017: RMB1,333,152,563.36) were the guarantee deposit for the application for letter of credit with the banks by the Group.
 - ③ Other monetary funds of RMB2,357,084,376.63 (31 December 2017: RMB4,939,992,248.75) were the guarantee deposit for the application for guarantees with the banks by the Group.
 - ④ Other monetary funds of RMB397,220,000.00 (31 December 2017: RMB90,037,977.92) were the guarantee deposit for the application for loans with the banks by the Group.
 - ⑤ Other monetary funds of RMB1,353,360,000.00 (31 December 2017: RMB453,350,000.00) were the Group's statutory reserve deposit at the banks.
 - ⑥ Other monetary funds of RMB1,031,062.71 were locked-up due to litigations, resulting in restriction on the use of that account's balance.

2. Held-for trading financial assets

Unit: RMB

Item	Closing balance	Opening balance
Financial assets designated at fair value through profit or loss		94,000,000.00
Of which: equity instruments		94,000,000.00
Total		94,000,000.00

Other explanation: The three-year repurchase agreement entered into with Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. was disposed during the period, the annual 4% premium was accounted to financial assets designated at fair value through profit or loss.

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VII. Notes to items of the consolidated financial statements (Cont'd)

3. Bills receivable and accounts receivable

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	1,213,116,491.46	4,220,231,853.56
A accounts receivable	3,404,487,004.59	3,665,865,577.03
Total	4,617,603,496.05	7,886,097,430.59

(1) Bills receivable

1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	1,213,116,491.46	4,120,231,853.56
Commercial acceptance bills	—	100,000,000.00
Total	1,213,116,491.46	4,220,231,853.56

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance	
	Amount	Percentage	Amount	Provision percentage		Amount	Percentage	Amount	Provision percentage
Bills receivable assessed individually for impairment	15,000,000.00	1.23%	1,500,000.00	10.00%	13,500,000.00				
Of which: Bank acceptance bills	15,000,000.00	1.23%	1,500,000.00	10.00%	13,500,000.00				
Bills receivable assessed collectively for impairment	1,199,616,491.46	98.77%			1,199,616,491.46	4,220,231,853.56	100.00%		4,220,231,853.56
Of which:									
Bank acceptance bills	1,199,616,491.46	98.77%			1,199,616,491.46	4,120,231,853.56	97.63%		4,120,231,853.56
Commercial acceptance bills						100,000,000.00	2.37%		100,000,000.00
Total	1,214,616,491.46	100.00%	1,500,000.00	0.12%	1,213,116,491.46	4,220,231,853.56	100.00%		4,220,231,853.56

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VII. Notes to items of the consolidated financial statements (Cont'd)

3. Bills receivable and accounts receivable (Cont'd)

(1) Bills receivable (Cont'd)

1) Classification of bills receivable (Cont'd)

Item assessed individually for impairment:

Unit: RMB

Name	Book balance	Closing balance		Reasons for provision
		Bad debt provision	Provision percentage	
Bank acceptance bills receivable from Changjiang (Hubei) Publishing & Print Materials Co., Ltd	15,000,000.00	1,500,000.00	10.00%	Bills matured but not collected
Total	15,000,000.00	1,500,000.00	—	—

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	431,715,666.94
Commercial acceptance bills	—
Total	431,715,666.94

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VII. Notes to items of the consolidated financial statements (Cont'd)

3. Bills receivable and accounts receivable (Cont'd)

(1) Bills receivable (Cont'd)

- 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	6,447,164,627.19	
Commercial acceptance bills	20,213,954.89	
Total	6,467,378,582.08	

- 4) Bills transferred to accounts receivable due to non-performance of the issuers at the end of the period

Unit: RMB

Item	Amounts transferred to accounts receivable at the end of the period
Bank acceptance bills	17,600,000.00
Total	17,600,000.00

Other explanation: As at 31 December 2018, bills with the carrying amount of RMB160,470,621.92 (31 December 2017: RMB972,379,999.17) were pledged in exchange for borrowings. As at 31 December 2018, bills with the carrying amount of RMB7,845,045.02 (31 December 2017: RMB692,007,430.76) were pledged and a letter of guarantee was issued therefor. As at 31 December 2018, bills with the carrying amount of RMB263,400,000.00 were pledged and a bank acceptance bills was issued therefor.

During the year, the accumulated bills issued by the Company to banks amounted to RMB5,214,973,227.57 (Last year: RMB3,742,679,994.55), with discount expenses incurred of RMB105,363,776.82 (Last year: RMB72,693,293.53). As at 31 December 2018, outstanding discounted bills receivable amounted to RMB1,194,662,827.01 (Last year: RMB2,169,102,479.25).

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VII. Notes to items of the consolidated financial statements (Cont'd)

3. Bills receivable and accounts receivable (Cont'd)

(2) Accounts receivable

1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Provision percentage		Amount	Percentage	Amount	Provision percentage	
Accounts receivable assessed individually for impairment	71,960,343.90	1.90%	55,240,343.90	76.76%	16,720,000.00	39,859,139.43	0.99%	39,859,139.43	100.00%	0.00
Of which:										
Accounts receivable assessed collectively for impairment	3,711,403,752.23	98.10%	323,636,747.64	8.72%	3,387,767,004.59	3,988,541,011.28	99.01%	322,675,434.25	8.08%	3,665,865,577.03
Of which:										
Accounts receivable from related parties	5,838,812.92	0.15%	947,246.64	16.22%	4,891,566.28	238,924,747.45	5.83%		0.00%	238,924,747.45
Accounts receivable from distributor clients	3,043,388,184.37	80.44%	320,207,896.86	10.52%	2,723,180,297.51	3,599,616,263.83	89.36%	322,225,434.25	8.95%	3,277,390,829.58
Factoring receivables	662,176,754.94	17.50%	2,481,614.14	0.37%	658,695,140.80	150,000,000.00	3.72%	450,000.00	0.30%	149,550,000.00
Total	3,783,364,086.13	100.00%	378,877,091.54	10.01%	3,404,487,004.59	4,028,400,150.71	100.00%	362,534,573.68	9.00%	3,665,865,577.03

Items assessed individually for impairment:

Unit: RMB

Name	Book balance	Closing balance		Reasons for provision
		Bad debts provision	Provision percentage	
FOSHAN SHUNDE XINGCHEN PAPER CO., LTD.	26,236,528.70	26,236,528.70	100.00%	Unlikely to be recovered
BEIJING HUAXIA CULTURE MEDIA CO., LTD.	8,207,950.42	8,207,950.42	100.00%	Unlikely to be recovered
JIANGXI LONGMING ENTERPRISE CO., LTD.	1,763,987.74	1,763,987.74	100.00%	Unlikely to be recovered
NANCHANG XINGBO PAPER CO., LTD.	1,656,205.97	1,656,205.97	100.00%	Unlikely to be recovered
JIANGSU YIHONG PAPER CO., LTD.	3,490,464.47	3,490,464.47	100.00%	Unlikely to be recovered
QINGDAO TENG FARUN PACKAGING CO., LTD.	3,239,582.93	3,239,582.93	100.00%	Unlikely to be recovered
SIHONG GUANGFA COLOR PRINTING AND PACKAGING CO., LTD.	934,371.82	934,371.82	100.00%	Unlikely to be recovered
PINGYI HUIFENG PAPER CO., LTD.	636,988.62	636,988.62	100.00%	Unlikely to be recovered
QINGTAO BAOYUE PAPER CO., LTD.	553,898.05	553,898.05	100.00%	Unlikely to be recovered
BAYAN NUR TAILI PACKAGING CO., LTD.	503,562.66	503,562.66	100.00%	Unlikely to be recovered
WENXIAN HUARONG PACKAGING MATERIAL CO., LTD.	426,858.60	426,858.60	100.00%	Unlikely to be recovered
JILIN SAIWEI TRADING CO., LTD.	6,709,943.92	6,709,943.92	100.00%	Unlikely to be recovered
WUHAN TIANRUI PAPER CO., LTD.	17,600,000.00	880,000.00	5.00%	Bills matured but not collected
Total	71,960,343.90	55,240,343.90	—	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

3. Bills receivable and accounts receivable (Cont'd)

(2) Accounts receivable (Cont'd)

1) Disclosure of accounts receivable by category (Cont'd)

In the groups, accounts receivable with collective provision for bad debts based on receivables from related parties:

Unit: RMB

Item	Book balance	Closing balance	Provision Percentage (%)
		Bad debts provision	
Within 1 year	3,139,712.63	156,985.63	5.00
1-2 years	840,164.98	84,016.50	10.00
2-3 years	1,440,863.50	288,172.70	20.00
Over 3 years	418,071.81	418,071.81	100.00
Total	5,838,812.92	947,246.64	16.22

In the groups, accounts receivable with collective provision for bad debts based on receivables from distributor clients:

Unit: RMB

Item	Book balance	Closing balance	Provision Percentage (%)
		Bad debts provision	
Within 1 year	3,410,823,735.53	142,948,405.14	4.19
1-2 years	70,258,834.41	7,025,883.44	10.00
2-3 years	64,708,946.19	12,941,789.24	20.00
Over 3 years	159,773,423.18	159,773,423.18	100.00
Total	3,705,564,939.31	322,689,501.00	8.71

Disclosed by ageing:

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	3,287,578,057.39
1-2 years	63,989,099.45
2-3 years	52,919,847.75
Total	3,404,487,004.59

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VII. Notes to items of the consolidated financial statements (Cont'd)

3. Bills receivable and accounts receivable (Cont'd)

(2) Accounts receivable (Cont'd)

2) Provision, recovery or reversal of bad debt provision for the period

Provision of bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period		Closing balance
			Recovery or reversal	Written off	
Accounts receivable with provision for bad debt	362,534,573.68	25,885,927.28		9,543,409.42	378,877,091.54
Total	362,534,573.68	25,885,927.28		9,543,409.42	378,877,091.54

3) Particulars of accounts receivable actually written off during the period

Unit: RMB

Item	Amount written off
Accounts receivable actually written-off	9,543,409.42

4) Top five accounts receivable based on closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the year was RMB1,020,957,610.67, which accounted for 26.99% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB9,867,905.24.

4. Prepayments

(1) Presentation of prepayments stated according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	793,395,209.02	91.86%	1,766,616,133.82	90.03%
1-2 years	70,343,811.72	8.14%	195,535,339.53	9.97%
Total	863,739,020.74	—	1,962,151,473.35	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

4. Prepayments (Cont'd)

(2) Top five prepayments according to closing balance of prepaid parties

Name of entity	Amount	Material supplied	Percentage of prepayments (%)
JIANGXI ZHONGLIAN ENERGY DEVELOPMENT CO., LTD.	192,642,331.67	Coal	22.30
HENAN XIN YU INTERNATIONAL PULP AND PAPER CO., LTD	64,970,763.39	Wood pulp	7.52
JIANGXI CHENMING NATURAL GAS CO., LTD.	40,323,934.04	Natural gas	4.67
SHANGHAI XULIN INTERNATIONAL TRADING CO., LTD.	24,034,711.80	Wood pulp	2.78
SHANGHAI HONGSHENG PAPER CO., LTD	22,225,288.05	Wood pulp	2.57
Total	344,197,028.95		39.85

5. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivables	198,577,632.43	15,295,213.24
Other receivables	1,934,512,350.96	523,439,443.31
Total	2,133,089,983.39	538,734,656.55

(1) Interest receivable

Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Fixed term deposit	1,002,811.95	1,445,843.74
Bond investment	25,018,561.36	
Interest on guarantee deposit	172,556,259.12	13,849,369.50
Total	198,577,632.43	15,295,213.24

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VII. Notes to items of the consolidated financial statements (Cont'd)

5. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

1) Other payables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	1,960,044,821.28	379,466,915.61
Reserve and borrowings	1,957,000.00	79,132,212.68
Guarantee deposit	18,064,797.46	18,594,327.30
Insurance premium	2,034,980.18	627,067.87
Advances	4,099,146.51	1,136,328.43
Investment	—	4,568,145.95
Others	162,793,258.20	156,937,002.32
Total	2,148,994,003.63	640,462,000.16

2) Particulars of bad debt provision

Unit: RMB

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss for the next 12 months	Expected credit loss over the entire life (not credit-impaired)	Expected credit loss over the entire life (credit-impaired)	
Balance as at 1 January		65,335,559.83	36,391,783.78	101,727,343.61
Balance as at 1 January 2018 during the year	—	—	—	—
– Transferred into Phase 2		65,335,559.83		65,335,559.83
– Transferred into Phase 3			31,141,687.05	31,141,687.05
– Reversal to Phase 2			5,250,096.73	5,250,096.73
Provision for the year		140,255,990.39		140,255,990.39
Reversal for the year		24,168,421.41	2,616,739.09	26,785,160.50
Transfer for the year		477,781.05		477,781.05
Writing-off for the year		238,739.78		238,739.78
Balance as at 31 December 2018		180,706,607.98	33,775,044.69	214,481,652.67

Changes in carrying book balances with significant changes in loss provision for the year

Applicable Not applicable

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VII. Notes to items of the consolidated financial statements (Cont'd)

5. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision (Cont'd)

By ageing

Unit: RMB

Ageing	Closing balance
Items within 1 year (including 1 year)	363,135,234.65
1-2 years	327,549,153.89
2-3 years	128,669,380.43
Over 3 years	1,115,158,581.99
Total	1,934,512,350.96

3) Provision, recovery or reversal of bad debt provision for the year

Bad debt provision for the year:

Unit: RMB

Category	Opening balance	Changes for the year			Closing balance
		Provision	Recovery or reversal	Transfer or writing-off	
Bad debt provision for other receivables	101,727,343.61	140,255,990.39	26,785,160.50	716,520.83	214,481,652.67
Total	101,727,343.61	140,255,990.39	26,785,160.50	716,520.83	214,481,652.67

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VII. Notes to items of the consolidated financial statements (Cont'd)

5. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

4) Top five other receivables according to closing balance of debtors

Unit: RMB

Name of entity	Nature	Closing balance	Maturity	Percentage to closing balance of other receivables	Closing balance of bad debt provision
SHENZHEN QIANHAI RUILI ASSET MANAGEMENT CO., LTD.	Consideration for equity transfer	1,767,832,915.12	Within 1 year	82.86%	88,391,645.76
WEIFANG SIME DARBY WEST PORT CO., LTD	Shareholder's borrowings	60,836,961.43	1-2 years	2.83%	6,083,696.14
CHINA BOHAI BANK	Interest on guarantee	27,625,000.00	Within 1 year	1.29%	
GUANGDONG ZHONGTUO CONSTRUCTION CO., LTD.	Relocation payment	15,200,000.00	3 to 4 years	0.71%	15,200,000.00
DALIAN NUODEYING LOGISTICS CO., LTD.	Deposits	7,066,054.89	Within 1 year	0.33%	893,018.39
Total	—	1,878,560,931.44	--	88.02%	110,568,360.29

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VII. Notes to items of the consolidated financial statements (Cont'd)

6. Inventories

Whether the Company needs to comply with the disclosure requirements of the real estate industry

No

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision for inventories or performance costs	Carrying amount		Impairment provision for inventories	Carrying amount
Raw materials	3,275,454,669.27	9,525,360.59	3,265,929,308.68	2,431,905,097.56	8,138,005.87	2,423,767,091.69
Work-in-process products	102,153,808.77		102,153,808.77	115,619,584.50	1,835,271.09	113,784,313.41
Goods in stock	1,690,248,067.43	34,943,475.27	1,655,304,592.16	1,419,054,457.14		1,419,054,457.14
Consumable biological assets	1,511,542,610.36		1,511,542,610.36	1,756,375,954.07		1,756,375,954.07
Developing products	309,823,656.64	73,265,542.87	236,558,113.77	309,823,674.86		309,823,674.86
Total	6,889,222,812.47	117,734,378.73	6,771,488,433.74	6,032,778,768.13	9,973,276.96	6,022,805,491.17

(2) Impairment provision for inventories or performance costs

Unit: RMB

Item	Closing balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	8,138,005.87	9,525,360.59		8,138,005.87		9,525,360.59
Work-in-process products	1,835,271.09			1,835,271.09		
Goods in stock		34,943,475.27				34,943,475.27
Developing products		73,265,542.87				73,265,542.87
Total	9,973,276.96	117,734,378.73		9,973,276.96		117,734,378.73

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VII. Notes to items of the consolidated financial statements (Cont'd)

6. Inventories (Cont'd)

(3) Changes in consumable biological assets

Item	Opening balance	Increase for the period		Decrease for the period			Closing balance
		Increase in breeding	Increase in purchase	Decrease in fair value	Other decreases	Decrease in sales	
Consumable biological assets measured at cost	543,605,518.73	41,520,519.59					585,126,038.32
Consumable biological assets measured at fair value	1,212,770,435.34			21,464,400.65	37,972,595.88	226,916,866.77	926,416,572.04
Total	1,756,375,954.07	41,520,519.59		21,464,400.65	37,972,595.88	226,916,866.77	1,511,542,610.36

7. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	4,007,503,281.86	6,901,695,875.94
Total	4,007,503,281.86	6,901,695,875.94

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	1,365,819,497.97	946,555,831.51
Prepaid tax	13,217,451.88	3,703,141.50
Receivables under financial lease due within one year	8,234,007,148.70	10,618,498,357.25
Prepaid expenses	662,919,414.09	
Others	5,349,312.49	
Total	10,281,312,825.13	11,568,757,330.26

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VII. Notes to items of the consolidated financial statements (Cont'd)

9. Long-term receivables

(1) Particulars of Long-term receivables

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount	
Finance lease payments	12,992,711,023.11	145,746,721.12	12,846,964,301.99	17,367,307,787.46	109,695,662.35	17,257,612,125.11	4.00-10.00
Including: Unrealised financing income	1,491,762,037.16		1,491,762,037.16	1,331,474,723.85		1,331,474,723.85	
Less: non-current assets due within one year	4,028,313,053.68	20,809,771.82	4,007,503,281.86	6,921,710,823.32	20,014,947.38	6,901,695,875.94	
Subtotal	7,472,635,932.27	124,936,949.30	7,347,698,982.97	9,114,122,240.29	89,680,714.97	9,024,441,525.32	–
Deposit for finance lease	588,925,607.06		588,925,607.06	456,925,607.06		456,925,607.06	
Less: Unrealised financing income	10,013,819.17		10,013,819.17	80,505,043.20		80,505,043.20	
Less: non-current assets due within one year							
Subtotal	578,911,787.89		578,911,787.89	376,420,563.86		376,420,563.86	
Total	8,051,547,720.16	124,936,949.30	7,926,610,770.86	9,490,542,804.15	89,680,714.97	9,400,862,089.18	

Particulars of bad debt impairment provision

Unit: RMB

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss for the next 12 months	Expected credit loss over the entire life (not credit-impaired)	Expected credit loss over the entire life (credit-impaired)	
Balance as at 1 January		89,680,714.97		89,680,714.97
Balance as at 1 January 2018 during the year	–	–	–	–
– Transferred into Phase 2		89,680,714.97		89,680,714.97
Provision for the period		35,256,234.33		35,256,234.33
Balance as at 31 December 2018		124,936,949.30		124,936,949.30

Changes in carrying book balances with significant changes in loss provision for the year

Applicable Not applicable

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VII. Notes to items of the consolidated financial statements (Cont'd)

9. Long-term receivables (Cont'd)

(2) Long-term receivable derecognised due to transfers of financial asset

Method of transfer of financial asset	Long-term receivable derecognised	Gains or losses related to derecognition
Transfer of creditor's rights	1,992,048,915.11	Transferred at par
Total	1,992,048,915.11	

10. Long-term equity investments

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Investment gain or loss recognize under equity method	Change for the period				Closing balance	Closing balance of impairment provision
					Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision		
I. Joint venture										
Shouguang Chenming Huisen										
New-style Construction Materials Co., Ltd.	3,087,296.72			485,538.07						3,572,834.79
Weifang Sime Darby West Port Co., Ltd.	104,784,922.41			-1,625,094.70						103,159,827.71
Weifang Xingxing United Chemical Co., Ltd.		110,000,000.00		-746,782.88						109,253,217.12
Sub-total	107,872,219.13	110,000,000.00		-1,886,289.51						215,985,929.62
II. Associates										
Jiangxi Jiangbao Media Colour Printing Co. Ltd.										
	1,754,051.46			-942,052.71						811,998.75
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)										
	51,918,433.41			335,384.31						52,253,817.72
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)										
	199,981,173.01			604,043.93						199,585,216.94
Wuhan Chenming Wan Xing Real Estate Co., Ltd.										
	26,415,056.62		26,415,056.62	-						-
Jiangxi Chenming Port Co., Ltd.										
	4,927,880.82			-2,771,641.51						2,156,239.31
Xuchang Chenming Paper Co., Ltd.										
		21,496,272.32		-15,501,726.36						5,994,545.96
Chenming (Qingdao) Asset Management Co., Ltd.										
		8,200,000.00		-313,478.53						7,886,521.47
Sub-total	283,996,608.32	29,696,272.32	26,415,056.62	-18,589,470.87						288,688,353.15
Total	391,868,827.45	139,696,272.32	26,415,056.62	-20,475,790.38						484,674,282.77

Note: For the disposal of 30% equity interest of Xuchang Chenming Paper Co., Ltd., method of calculation changed from cost method to equity method.

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VII. Notes to items of the consolidated financial statements (Cont'd)

11. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Equity instrument investment	103,000,000.00	2,453,000,000.00
Total	103,000,000.00	2,453,000,000.00

Other explanation: as the Company's shareholding in the investee is low without significant effects, it is not practicable to adopt the income approach or the market approach for the shareholding in the investee. Moreover, there was no recent introduction external of investor, which, together with transfer of equity among the shareholders serves as references for the determination of fair value, which may be classified as "limited circumstances" for the best estimate of fair value of available cost.

12. Investment properties

(1) Investment properties under the cost method

Applicable Not applicable

Unit: RMB

Item	Housing and building structure	Total
I. Original carrying amount		
1. Opening balance	4,847,572,022.07	4,847,572,022.07
2. Increase for the period	173,485,489.13	173,485,489.13
(1) Purchase	79,841,366.74	79,841,366.74
(2) Transfer from inventories\fixed assets\construction in progress	29,386,869.43	29,386,869.43
(3) Transfer from intangible assets	14,138,227.92	14,138,227.92
(4) Debt payment	50,119,025.04	50,119,025.04
3. Decrease for the period		
4. Closing balance	5,021,057,511.20	5,021,057,511.20
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	38,036,912.25	38,036,912.25
2. Increase for the period	138,027,559.33	138,027,559.33
(1) Provision or amortisation	138,027,559.33	138,027,559.33
3. Decrease for the period		
4. Closing balance	176,064,471.58	176,064,471.58
III. Provision for impairment		
IV. Carrying amount		
1. Closing carrying amount	4,844,993,039.62	4,844,993,039.62
2. Opening carrying amount	4,809,535,109.82	4,809,535,109.82

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VII. Notes to items of the consolidated financial statements (Cont'd)

13. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	27,913,986,152.68	28,227,509,503.05
Total	27,913,986,152.68	28,227,509,503.05

(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	8,550,130,664.61	32,357,264,151.18	355,292,830.51	439,890,095.33	41,702,577,741.63
2. Increase for the period	1,251,284,977.91	323,505,907.27	27,928,847.84	14,195,130.18	1,616,914,863.20
(1) Acquisition	261,093,361.74	107,307,669.73	27,928,847.84	14,195,130.18	410,525,009.49
(2) Transferred from construction in progress	937,650,059.54	216,198,237.54			1,153,848,297.08
Others	52,541,556.63				52,541,556.63
3. Decrease for the period	131,810,109.98	589,188,732.73	38,155,648.85	13,885,769.24	773,040,260.80
(1) Disposal or retirement	7,621,392.92	61,110,377.26	37,801,306.63	8,652,462.98	115,185,539.79
Decrease in equity transfer	94,801,847.63	528,078,355.47	354,342.22	5,233,306.26	628,467,851.58
Transferred to investment property	29,386,869.43				29,386,869.43
4. Closing balance	9,669,605,532.54	32,091,581,325.72	345,066,029.50	440,199,456.27	42,546,452,344.03
II. Accumulated depreciation					
1. Opening balance	1,437,843,056.33	11,437,397,169.74	143,458,304.23	264,188,740.27	13,282,887,270.57
2. Increase for the period	258,321,798.73	1,287,268,441.37	33,322,547.24	13,410,425.24	1,592,323,212.58
(1) Provision	231,118,698.36	1,287,268,441.37	32,971,952.47	13,163,774.38	1,564,522,866.58
Others	27,203,100.37		350,594.77	246,650.86	27,800,346.00
3. Decrease for the period	17,258,733.41	398,647,954.95	3,427,612.69	19,826,640.92	439,160,941.97
(1) Disposal or retirement	2,770,759.99	398,647,954.95	3,422,145.00	19,784,838.00	424,625,697.94
Transferred into construction in progress	439,039.63		5,467.69	41,802.92	486,310.24
Investment property	14,048,933.79				14,048,933.79
4. Closing balance	1,678,906,121.65	12,326,017,656.16	173,353,238.78	257,772,524.59	14,436,049,541.18
III. Provision for impairment					
1. Opening balance	51,900,151.11	139,905,410.65	13,092.92	362,313.33	192,180,968.01
2. Decrease for the period		5,177,720.12			5,177,720.12
Provision		5,177,720.12			5,177,720.12
3. Decrease for the period	942,037.96				942,037.96
Disposal or retirement	942,037.96				942,037.96
4. Closing balance	50,958,113.15	145,083,130.77	13,092.92	362,313.33	196,416,650.17
IV. Carrying amount					
1. Closing carrying amount	7,939,741,297.74	19,620,480,538.79	171,699,697.80	182,064,618.35	27,913,986,152.68
2. Opening carrying amount	7,060,387,457.17	20,779,961,570.79	211,821,433.36	175,339,041.73	28,227,509,503.05

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VII. Notes to items of the consolidated financial statements (Cont'd)

13. Fixed assets (Cont'd)

(1) Particulars of fixed assets (Cont'd)

- Note: ① As at 31 December 2018, housing, building structure and equipment with the carrying amount of RMB8,079,811,565.53 (31 December 2017: carrying amount of RMB4,422,080,751.05) were pledged as collateral for intangible assets with the carrying amount of RMB873,985,362.13 (31 December 2017: carrying amount of RMB597,992,087.19), and investment properties with the carrying amount of RMB4,691,453,227.24 was pledged as collateral for long-term borrowings with the carrying amount of RMB4,733,171,900.00 (31 December 2017: carrying amount of RMB1,922,342,000.00) and short-term borrowings with the carrying amount of RMB180,000,000.00 (31 December 2017: carrying amount of RMB50,000,000).
- ② Other decreases in the original carrying amount refers to fixed assets reversed due to incomplete liquidation of Zhanjiang Chenming.

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Housing and building structure	52,541,556.53	7,063,028.18		45,478,528.35	
Machinery and equipment	402,047,541.87	155,924,037.09	20,501,583.51	225,621,921.27	
Total	454,589,098.40	162,987,065.27	20,501,583.51	271,100,449.62	

(3) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

Item	Carrying amount	Reason for not yet obtaining property right certificates
Housing and building structure (JIANGXI CHENMING)	222,926,579.95	Scheduled operation commencement not imminent
Housing and building structure (SHOUGUANG MEILUN)	281,622,650.70	Scheduled operation commencement not imminent
Housing and building structure (HAIMING MINING)	131,891,347.86	Scheduled operation commencement not imminent
Housing and building structure (JILIN CHENMING)	484,269,328.58	Scheduled operation commencement not imminent
Housing and building structure (CHENMING PAPER)	74,963,006.89	Scheduled operation commencement not imminent
Housing and building structure (ZHANJIANG CHENMING)	1,212,867,479.62	Scheduled operation commencement not imminent
Total	2,408,540,393.60	

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VII. Notes to items of the consolidated financial statements (Cont'd)

14. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	11,861,494,351.33	7,668,669,413.87
Materials for project	9,856,470.22	15,275,630.45
Total	11,871,350,821.55	7,683,945,044.32

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
400T/d Mechanical pulp project (Headquarters)	190,246,507.11		190,246,507.11	23,575,818.57		23,575,818.57
Newsprint machine to cultural paper machine and related pulp line transformation (Headquarters)	1,426,602,125.57		1,426,602,125.57	902,644,220.48		902,644,220.48
Chemical pulp project (Meilun)	3,016,785,495.66		3,016,785,495.66	1,801,971,276.32		1,801,971,276.32
High-end cultural paper (Meilun)	1,701,781,479.30		1,701,781,479.30	697,210,244.24		697,210,244.24
Haiming mining magnesite deep processing project (Haiming)	486,501,551.60		486,501,551.60	1,047,440,597.94		1,047,440,597.94
200,000-ton magnesia-alumina spinel project (Haiming)	558,876,283.14		558,876,283.14	0.00		0.00
Huanggang Chenming integrated forestry, pulp and paper project	3,605,150,078.66		3,605,150,078.66	2,267,821,283.49		2,267,821,283.49
Integrated terminal project (Huanggang Chenming)	0.00		0.00	191,050,346.34		191,050,346.34
100,000-ton paper machine changing project (Xuchang Chenming)	0.00		0.00	170,475,982.49		170,475,982.49
Membrane treatment project (Zhanjiang Chenming)	74,505,129.72		74,505,129.72	0.00		0.00
Back pressure unit project	26,452,503.41		26,452,503.41	0.00		0.00
Others	802,022,132.98	27,428,935.82	774,593,197.16	581,243,870.23	14,764,226.23	566,479,644.00
Total	11,888,923,287.15	27,428,935.82	11,861,494,351.33	7,683,433,640.10	14,764,226.23	7,668,669,413.87

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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

Project name	Budget (RMB'00 million)	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
Upgrading and renovation of back pressure unit of captive power plant (Headquarter)	1.13		177,001,786.08			177,001,786.08	20.80%	0.17				self-raised and borrowings
400T/d Mechanical pulp project (Headquarters)	1.30	23,575,818.57	166,670,688.54			190,246,507.11	146.00%	0.95	3,859,068.33	3,530,174.42	2.11%	self-raised and borrowings
Membrane treatment for reclaimed water recycling (Headquarters)	3.20		145,410,753.42			145,410,753.42	45.00%	0.6				self-raised and borrowings
New annual 200,000 ton of fly ash cement ceramsite production project	0.57		30,122,443.49			30,122,443.49	53.00%	0.6				self-raised and borrowings
Newsprint machine to cultural paper machine and related pulp line transformation (Headquarters)	3.72	902,644,220.48	523,957,905.09			1,426,602,125.57	162.59%	0.96	14,556,448.15	12,333,058.59	2.35%	self-raised and borrowings
Chemical pulp project (Meilun)	30.00	1,801,971,276.32	1,214,814,219.34			3,016,785,495.66	70.00%	0.95	137,290,465.35	66,513,866.86	5.48%	self-raised and borrowings
High-end cultural paper (Meilun)	37.61	697,210,244.24	1,004,571,235.06			1,701,781,479.30	46.00%	0.98	42,158,682.52	33,184,591.17	3.30%	self-raised and borrowings
Haiming mining magnesite deep processing project (Haiming)	18.50	1,047,440,597.94	21,566,889.76	582,505,936.10		486,501,551.60	107.00%	1	97,619,920.72			self-raised and borrowings
200,000-ton magnesia-alumina spinel project	8.50	0.00	538,876,283.14			538,876,283.14	65.75%	0.83	8,915,496.55	8,915,496.55	1.60%	self-raised and borrowings
Huanggang Chenming Forest and Paper Integration Project (Pulping Project) (Huanggang Chenming)	34.85	2,267,821,283.49	1,411,690,254.49	70,829,154.12	3,532,305.20	3,605,150,078.66	103.00%	1	148,245,107.02	75,975,528.32	5.68%	self-raised and borrowings
Integrated terminal project (Huanggang Chenming)	3.51	191,050,946.34	59,893,062.73	250,943,409.07			71.00%	1				self-raised and borrowings
Biomass power generation project (southern district) (Huanggang Chenming)	5.13	57,186,086.82	104,576,396.56		4,222,117.46	157,540,365.92	32.00%	1				self-raised and borrowings
100,000-ton paper machine changing project (Auchang Chenming)	1.80	170,475,982.49			170,475,982.49							self-raised and borrowings
Membrane treatment project (Zhanjiang Chenming)	1.20		74,505,129.72			74,505,129.72	62.00%	0.8				self-raised and borrowings
Back pressure unit project (Zhanjiang Chenming)	0.60		26,452,503.41			26,452,503.41	0.60%					self-raised and borrowings
Total	151.62	7,158,375,866.69	5,520,109,550.83	904,278,499.29	178,230,405.15	11,596,976,503.08	-	-	452,645,188.64	200,452,705.91	-	-

Note: Xuchang Chenming ceased to be included in the scope of consolidation due to equity transfer, and the construction in progress was included in other decreases.

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VII. Notes to items of the consolidated financial statements (Cont'd)

14. Construction in progress (Cont'd)

(3) Particulars of provision for construction in progress impairment

Unit: RMB

Item	Amount for the year	Reason for the provision
Mechanical pulp project (Fuyu Chenming)	3,742,840.00	Impairment of project
Cogeneration Project (southern district) (Huanggang Pulp and Paper)	12,771,903.87	Project was under replanning
Differentiated viscose and spinning and chemical project (southern district) (Huanggang Pulp and Paper)	5,852,792.26	Project was under replanning
Marsh gas power generation (Headquarters)	5,061,399.69	Project was under replanning
Total	27,428,935.82	—

(4) Materials for project

Unit: RMB

Item	Book balance	Closing balance		Opening balance	
		Impairment provision	Carrying amount	Carrying amount	Carrying amount
Special materials	9,856,470.22		9,856,470.22	11,285,247.52	11,285,247.52
Special equipment				3,990,382.93	3,990,382.93
Total	9,856,470.22		9,856,470.22	15,275,630.45	15,275,630.45

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VII. Notes to items of the consolidated financial statements (Cont'd)

15. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Unpatented technology	Software	Total
I. Original carrying amount				
1. Opening balance	2,385,510,515.67		24,305,385.83	2,409,815,901.50
2. Increase for the period	65,645,347.00	15,895,213.33	4,351,628.12	85,892,188.45
(1) Acquisition	65,645,347.00	15,895,213.33	4,351,628.12	85,892,188.45
3. Decrease for the period	152,907,869.14		2,663,130.81	155,570,999.95
(1) Disposal	152,907,869.14		2,663,130.81	155,570,999.95
4. Closing balance	2,298,247,993.53	15,895,213.33	25,993,883.14	2,340,137,090.00
II. Accumulated amortisation				
1. Opening balance	330,449,712.10		20,144,810.31	350,594,522.41
2. Increase for the period	55,294,736.15	1,705,104.30	1,352,967.87	58,352,808.32
(1) Provision	55,294,736.15	1,705,104.30	1,352,967.87	58,352,808.32
3. Decrease for the period	6,502,384.90		1,663,130.81	8,165,515.71
(1) Disposal	6,502,384.90		1,663,130.81	8,165,515.71
4. Closing balance	379,242,063.35	1,705,104.30	19,834,647.37	400,781,815.02
III. Impairment provision				
IV. Carrying amount				
1. Closing carrying amount	1,919,005,930.18	14,190,109.03	6,159,235.77	1,939,355,274.98
2. Opening carrying amount	2,055,060,803.57		4,160,575.52	2,059,221,379.09

Note: ① As at 31 December 2018, housing, building structure and equipment with the carrying amount of RMB8,079,811,565.53 (31 December 2017: carrying amount of RMB4,422,080,751.05) were pledged as collateral for intangible assets with the carrying amount of RMB873,985,362.13 (31 December 2017: carrying amount of RMB597,992,087.19), and investment properties with the carrying amount of RMB4,691,453,227.24 was pledged as collateral for long-term borrowings with the carrying amount of RMB4,733,171,900.00 (31 December 2017: carrying amount of RMB1,922,342,000.00) and short-term borrowings with the carrying amount of RMB180,000,000.00 (31 December 2017: carrying amount of RMB50,000,000).

② The emission right of Huanggang Pulp and Paper is categorised as others (Other Rights Certificate), with the number of pollutant discharge permit being 91421100679765869N001P, the issuing authority being Huanggang Ministry of Environmental Protection and the expiry date ranging between 14 September 2018 and 13 September 2021.

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VII. Notes to items of the consolidated financial statements (Cont'd)

16. 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
Shandong Chenming Panels Co., Ltd.	5,969,626.57			5,969,626.57
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Total	20,283,787.17			20,283,787.17

(2) Provision for impairment of goodwill

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
Machine-made paper sector - Jilin Chenming Paper Co., Ltd.		14,314,160.60		14,314,160.60
Total		14,314,160.60		14,314,160.60

Information related to the asset group or groups to which goodwill belongs

The asset group Shandong Chenming Panels Co., Ltd.

The recoverable amount of the asset group Shandong Chenming Panels Co., Ltd. is determined based on the present value of the estimated future cash flows. Future cash flows are based on the financial budget from 2019 to 2023 approved by the management, and adopt 7.28% as the discount rate which is the interest rate of the 5-year bonds issued by the Company in 2018. The cash flows of the asset group Shandong Chenming Panels Co., Ltd. for more than 5 years are calculated based on the growth rate of 5%. Other key assumptions used in estimating future cash flows include the estimated sales and gross profit based on the performance of such asset group in the past and the expectation to market development by the management. The management believes that any reasonable change in the above assumptions will not result in the total book value of the asset group Shandong Chenming Panels Co., Ltd. exceeding its recoverable amount.

The asset group Jilin Chenming Paper Co., Ltd.

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VII. Notes to items of the consolidated financial statements (Cont'd)

16. Goodwill (Cont'd)

(2) Provision for impairment of goodwill (Cont'd)

The recoverable amount of the asset group Jilin Chenming Paper Co., Ltd. is determined based on the present value of the estimated future cash flows. Future cash flows are based on the financial budget from 2019 to 2023 approved by the management, and adopt 7.28% as the discount rate which is the interest rate of the 5-year bonds issued by the Company in 2018. The cash flows of the asset group Jilin Chenming Paper Co., Ltd. for more than 5 years are calculated based on the growth rate of 5%. Other key assumptions used in estimating future cash flows include the estimated sales and gross profit based on the performance of such asset group in the past and the expectation to market development by the management. The management believes that, based on the above assumptions, the book value of the asset group Jilin Chenming Paper Co., Ltd. in aggregate exceeds its recoverable amount, and recognises the impairment of the goodwill of the machine-made paper segment - Jilin Chenming Paper Co., Ltd.

17. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Railway expenses	7,674,716.58		704,814.60		6,969,901.98
Rentals	41,132,847.78	2,061,665.40	2,098,208.83		41,096,304.35
Woodland expenses	90,315,005.09	4,607,746.78	5,574,339.67	2,498,376.72	86,850,035.48
Total	139,122,569.45	6,669,412.18	8,377,363.10	2,498,376.72	134,916,241.81

18. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	1,009,229,761.95	201,814,843.08	691,231,679.05	173,959,565.59
Unrealised profit arising from intra-group transactions	53,691,645.13	13,422,911.28	273,585,917.96	68,396,479.49
Deductible loss	1,832,638,038.33	291,277,348.30	1,006,688,665.35	173,250,557.91
Outstanding payables	464,741,048.85	72,646,157.78	512,378,679.91	77,803,599.22
Deferred income	136,079,842.63	24,712,438.18	157,069,341.95	28,878,648.19
Total	3,496,380,336.89	603,873,698.62	2,640,954,284.22	522,288,850.40

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VII. Notes to items of the consolidated financial statements (Cont'd)

18. Deferred income tax assets/deferred income tax liabilities (Cont'd)

(2) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	293,812,600.65	136,902,031.73
Deductible loss	618,945,325.05	521,429,433.24
Total	912,757,925.70	658,331,464.97

(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
2018		89,165,185.03	
2019	58,075,279.70	58,161,318.09	
2020	68,154,676.89	69,723,168.31	
2021	79,493,561.61	161,307,173.38	
2022	91,517,702.92	143,072,588.43	
2023	321,704,103.93		
Total	618,945,325.05	521,429,433.24	—

19. Other non-current assets

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Prepayments for properties	458,224,099.89		458,224,099.89	451,277,549.54		451,277,549.54
Prepayments for land	45,230,000.00		45,230,000.00			
Prepayments for engineering	22,445,137.18		22,445,137.18			
Prepayments for equipment	223,822,509.86		223,822,509.86	48,446,648.16		48,446,648.16
Deposits	36,000,000.00		36,000,000.00			
Equity transfer	694,000,000.00		694,000,000.00			
Pre-paid expenses	42,771,382.73		42,771,382.73			
Total	1,522,493,129.66		1,522,493,129.66	499,724,197.70		499,724,197.70

Other explanations: Deposits of RMB36,000,000.00 were used for the acquisition of equity in Goldtrust Futures, and equity transfer amount of RMB694,000,000.00 were used for the acquisition of equity in Guangdong Nanyue Bank.

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VII. Notes to items of the consolidated financial statements (Cont'd)

20. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	971,604,153.41	2,956,876,168.82
Mortgage borrowings	180,000,000.00	50,000,000.00
Guaranteed borrowings	9,918,242,061.05	12,100,224,483.51
Credit borrowings	7,531,565,147.43	5,823,854,220.70
Discounted borrowings	21,626,534,000.00	14,165,620,000.00
Total	40,227,945,361.89	35,096,574,873.03

Particulars of the short-term borrowings: for classification and amount of pledged borrowing and mortgage borrowing, please see notes in relation to monetary funds and assets with restricted ownerships or right to use.

(2) Overdue short-term borrowings

Total outstanding accounts payable as at the end of the period amounted to RMB0.00.

21. Bills payable and accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Bills payable	4,218,969,554.93	1,278,395,090.71
Accounts payable	4,150,228,644.66	4,013,936,527.74
Total	8,369,198,199.59	5,292,331,618.45

(1) Classification of bills payable

Unit: RMB

Classification	Closing balance	Opening balance
Commercial acceptance bills	49,670,407.62	283,744,411.80
Bank acceptance bills	4,169,299,147.31	994,650,678.91
Total	4,218,969,554.93	1,278,395,090.71

Total outstanding bills payable as at the end of the period amounted to RMB0.00.

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VII. Notes to items of the consolidated financial statements (Cont'd)

21. Bills payable and accounts payable (Cont'd)

(2) Particulars of accounts payable

Unit: RMB

Classification	Closing balance	Opening balance
Within 1 year	3,566,507,866.14	3,398,781,721.68
1-2 years	261,760,924.33	415,562,463.45
2-3 years	80,120,125.97	72,014,432.53
Over 3 years	241,839,728.22	127,577,910.08
Total	4,150,228,644.66	4,013,936,527.74

(3) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
SHANGHAI CONSTRUCTION NO. 7 (GROUP) CO., LTD.	53,498,159.55	Quality guarantee deposit for engineering
SHANDONG SHENHUA SHANDA ENERGY & ENVIRONMENT CO., LTD	11,736,736.36	Quality guarantee deposit for engineering
HAO HUNG CO., LTD.	5,646,338.36	Quality guarantee deposit for engineering
FUJIAN WEIDONG INDUSTRIAL CO., LTD.	5,363,200.00	Quality guarantee deposit for engineering
SHANDONG SANTE ENERGY CO., LTD.	5,261,251.30	Quality guarantee deposit for engineering
RECYCLE AMERICA ALLIANCE	4,537,536.75	Quality guarantee deposit for engineering
Total	86,043,222.32	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

22. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advance loans	419,540,133.74	243,182,891.22
Total	419,540,133.74	243,182,891.22

Income included in the opening carrying amount of contract liabilities recognised during the year was RMB243,182,891.22.

23. 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	184,868,925.11	1,227,431,484.52	1,277,192,035.50	135,108,374.13
II. Retirement benefit plan – defined contribution scheme	261,966.99	191,456,901.19	191,453,834.61	265,033.57
Total	185,130,892.10	1,418,888,385.71	1,468,645,870.11	135,373,407.70

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VII. Notes to items of the consolidated financial statements (Cont'd)

23. 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	133,765,532.39	950,236,783.81	1,038,225,712.70	45,776,603.50
2. Staff welfare		42,795,040.72	33,707,571.90	9,087,468.82
3. Social insurance premium	1,471,027.85	81,809,468.59	81,827,300.99	1,453,195.45
Of which: Medical insurance premium	508,362.57	68,634,736.60	68,658,399.06	484,700.11
Work-related injury insurance premium	146.67	6,709,700.74	6,707,287.50	2,559.91
Maternity insurance premium	962,518.61	6,326,432.30	6,326,919.25	962,031.66
Others		138,598.95	134,695.18	3,903.77
4. Housing provident funds	7,126,858.97	98,412,066.74	96,724,518.29	8,814,407.42
5. Union funds and workers' education	23,566,423.65	19,242,063.03	16,267,986.01	26,540,500.67
6. Other short-term remuneration	18,939,082.25	34,936,061.63	10,438,945.61	43,436,198.27
Total	184,868,925.11	1,227,431,484.52	1,277,192,035.50	135,108,374.13

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	176,970.81	182,587,586.42	182,751,023.89	13,533.34
2. Unemployment insurance	84,996.18	8,869,314.77	8,702,810.72	251,500.23
Total	261,966.99	191,456,901.19	191,453,834.61	265,033.57

Other explanations: In accordance with regulations, the Company participated in the pension insurance and unemployment insurance schemes set up by the government, pursuant to which, the Company contributed to such schemes at 18.00% and 0.70% of basic salary of the staff, respectively. Other than such monthly contributions, there was no further payment obligation of the Company. Such expenses are charged to profit or loss or as costs of such assets upon occurrence.

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VII. Notes to items of the consolidated financial statements (Cont'd)

24. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	101,147,703.11	128,785,997.13
Enterprise income tax	279,044,478.52	304,239,481.46
Individual income tax	21,204,181.79	5,296,935.04
Urban maintenance and construction tax	1,675,884.94	7,324,998.53
Land use tax	16,727,507.78	15,556,098.12
Property tax	26,049,416.88	25,352,235.76
Educational surcharges and others	2,685,191.81	5,702,856.39
Stamp duty	3,116,833.81	4,367,412.25
Total	451,651,198.64	496,626,014.68

25. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	226,788,777.59	85,480,380.32
Other payables	1,550,929,239.89	1,426,629,545.41
Total	1,777,718,017.48	1,512,109,925.73

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	132,103,351.62	79,728,028.58
Interest payable on short-term borrowings	34,393,759.32	5,752,351.74
Interest on medium-term notes	60,291,666.65	
Total	226,788,777.59	85,480,380.32

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VII. Notes to items of the consolidated financial statements (Cont'd)

25. Other payables (Cont'd)

(2) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	164,919,560.22	73,980,061.13
Deposit	969,423,011.35	1,067,548,473.43
Accrued expenses	281,151,124.64	228,591,392.54
Others	135,435,543.68	56,509,618.31
Total	1,550,929,239.89	1,426,629,545.41

2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
Nine Dragons Dawei Holdings Co., Ltd.	30,000,000.00	Deposit
Shenzhen Dongchan Capital Group Co., Ltd.	9,093,918.30	Deposit
Shandong Yingli Industrial Co., Ltd.	6,000,000.00	Deposit
Shenzhen Feichuang Tongda Technology Ltd.	5,250,315.24	Deposit
Beijing Guodian Futong Science and Technology Development Co., Ltd.	5,196,000.00	Deposit
Total	55,540,233.54	—

26. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	4,234,248,448.36	3,625,430,347.40
Long-term payables due within one year	2,732,057,322.65	
Other non-current liabilities due within one year	250,000,000.00	
Total	7,216,305,771.01	3,625,430,347.40

27. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	2,816,956,481.68	10,797,248,631.76
Game	2,816,956,481.68	10,797,248,631.76

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VII. Notes to items of the consolidated financial statements (Cont'd)

27. Other current liabilities (Cont'd)

Increase/decrease in short-term commercial papers payable:

Unit: RMB

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
2017 Second Tranche of Short-term Commercial Paper	1,500,000,000.00	2017/4/13	365 days	1,497,000,000.00	1,556,014,166.67		19,425,000.00	750,000.00	1,576,189,166.67	
2017 Fourth Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2017/4/24	270 days	998,500,000.00	1,037,100,000.00				1,037,100,000.00	
2017 Fifth Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2017/8/9	270 days	998,500,000.00	1,020,133,335.00		17,333,333.33	666,665.00	1,038,133,333.33	
2017 Sixth Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2017/9/7	267 days	998,500,000.00	1,016,534,445.78		17,966,666.67	833,332.00	1,035,334,444.44	
2017 Seventh Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2017/9/19	269 days	998,526,027.40	1,014,925,571.84		22,859,722.22	818,872.60	1,038,604,166.67	
2017 Eighth Tranche of Super & Short-term Commercial Paper	1,500,000,000.00	2017/10/11	270 days	1,497,750,000.00	1,521,633,333.33		42,233,333.33	1,500,000.00	1,565,366,666.66	
2017 Ninth Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2017/10/20	270 days	998,500,000.00	1,013,597,223.26		28,155,555.56	999,999.00	1,042,752,777.82	
2017 Tenth Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2017/10/25	145 days	999,194,444.44	1,010,236,666.33		9,161,388.89	322,222.56	1,019,720,277.78	
2017 Eleventh Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2017/11/16	270 days	998,500,000.00	1,006,487,222.89		35,274,444.44	1,166,666.00	1,042,928,333.33	
2017 Twelfth Tranche of Super & Short-term Commercial Paper	600,000,000.00	2017/12/19	270 days	599,100,000.00	600,586,666.66		25,920,000.00	800,000.00	627,306,666.67	
2018 First Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2018/1/5	172 days	999,044,400.00		999,044,400.00	25,520,833.33	955,600.00	1,025,520,833.33	
2018 Second Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2018/1/17	270 days	998,520,697.95		998,520,697.95	44,261,111.11	1,479,302.05	1,044,261,111.11	
2018 Third Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2018/2/5	270 days	998,500,000.00		998,500,000.00	47,075,000.00	1,500,000.00	1,047,075,000.00	
2018 Fourth Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2018/3/28	233 days	998,500,000.00		998,500,000.00	42,388,888.89	1,500,000.00	1,042,388,888.89	
2018 Fifth Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2018/4/24	270 days	998,500,000.00		258,387,520.00	53,185,374.97	371,556,240.00		683,129,134.97
2018 Sixth Tranche of Super & Short-term Commercial Paper	600,000,000.00	2018/5/9	270 days	599,100,000.00		599,100,000.00	30,891,666.71	800,000.00		630,791,666.71
2018 Seventh Tranche of Super & Short-term Commercial Paper	600,000,000.00	2018/5/28	180 days	599,400,000.00		599,400,000.00	18,316,666.67	600,000.00	618,316,666.67	
2018 Eighth Tranche of Super & Short-term Commercial Paper	600,000,000.00	2018/6/28	180 days	599,400,000.00		599,400,000.00	21,350,000.00	600,000.00	621,350,000.00	
2018 Ninth Tranche of Super & Short-term Commercial Paper	1,500,000,000.00	2018/7/4	171 days	1,498,575,000.00		1,498,575,000.00	43,750,000.00	1,425,000.00	1,543,750,000.00	
2018 Tenth Tranche of Super & Short-term Commercial Paper	600,000,000.00	2018/8/9	270 days	409,066,750.00		409,066,750.00	16,227,777.78	500,000.00		425,794,527.78
2018 Eleventh Tranche of Super & Short-term Commercial Paper	600,000,000.00	2018/10/29	270 days	448,004,115.00		448,004,115.00	7,583,333.33	300,000.00		455,887,448.33
2018 Twelfth Tranche of Super & Short-term Commercial Paper	620,000,000.00	2018/12/19	176 days	619,393,778.00		619,393,778.00	1,858,888.89	101,037.00		621,353,703.89
Total	-	-	-	20,350,075,212.79	10,797,248,631.76	9,025,892,260.95	570,738,986.12	389,174,936.21	17,966,098,333.37	2,816,956,481.68

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VII. Notes to items of the consolidated financial statements (Cont'd)

28. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledge borrowings	362,064,033.51	275,000,000.00
Secured borrowings	4,733,171,900.00	3,592,342,000.00
Guarantee borrowings	6,097,254,963.85	6,530,519,307.37
Credit borrowings	840,692,035.94	873,692,035.94
Less: long-term borrowings due within 1 year	4,234,248,448.36	3,625,430,347.40
Total	7,798,934,484.94	7,646,122,995.91

Note: For classifications and amounts of secured borrowings and pledged assets, please see notes in respect of monetary funds and assets with restricted ownerships or right to use.

29. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming bond 01- Chenming Paper	1,198,710,000.00	1,198,305,304.75
17 Chenming bond 01- Leasing Company		997,955,974.82
18 Chenming bond 01- Chenming Paper	898,852,500.00	
Total	2,097,562,500.00	2,196,261,279.57

(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	Amortisation of issuance fees	Closing balance
17 Chenming bond 01- Chenming Paper	1,200,000,000.00	2017/8/22	5 years	1,198,200,000.00	1,198,305,304.75		78,000,000.00	404,695.25	78,000,000.00		1,198,710,000.00
17 Chenming bond 01- Leasing Company	1,000,000,000.00	2017/3/21	3 years	997,000,000.00	997,955,974.82		64,800,000.00	2,044,025.18	1,064,800,000.00		
18 Chenming bond 01- Chenming Paper	900,000,000.00	2018/4/2	5 years	898,650,000.00		898,650,000.00	49,140,000.00	202,500.00	49,140,000.00		898,852,500.00
Total	-	-	-	3,093,850,000.00	2,196,261,279.57	898,650,000.00	191,940,000.00	2,651,220.43	1,191,940,000.00		2,097,562,500.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

30. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	3,900,255,693.44	5,550,881,435.64
Total	3,900,255,693.44	5,550,881,435.64

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	167,083,436.84	245,190,103.51
China Development Bank Spceial funds	622,500,000.00	700,000,000.00
Financial leasing	5,842,729,579.25	4,605,691,332.13
Less: due within 1 year	2,732,057,322.65	
Total	3,900,255,693.44	5,550,881,435.64

31. Provision

Unit: RMB

Item	Closing balance	Opening balance	Reason
Pending litigation	325,259,082.28	325,259,082.28	Losses from Arjo's lawsuit
Total	325,259,082.28	325,259,082.28	—

Note: ArjowigginsHKK2Limited ("HKK2 Company") submitted a winding-up petition to Hong Kong High Court due to joint venture dispute, paying compensation for economic loss of RMB167 million, legal costs of USD3.54 million and arbitration fee and relevant interests of HK\$3.3 million to HKK2. The Company made provision of accrued liabilities of RMB325 million for such pending litigation in 2017. On the balance sheet date, Hong Kong High Court had not given a verdict for such litigation.

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VII. Notes to items of the consolidated financial statements (Cont'd)

32. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	2,133,757,550.21	75,327,556.00	346,689,908.60	1,862,395,197.61	
Total	2,133,757,550.21	75,327,556.00	346,689,908.60	1,862,395,197.61	—

Items in respect of government grants:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Include in non-operating income for the period	Include in other income for the period	Amount charged against cost expenses	Other changes	Closing balance	Asset-related/income-related
Special subsidy funds for environmental protection	816,090,223.99		17,477,975.56	49,191,971.68			749,420,276.75	Asset-related
Project fund for National technological support scheme	1,781,924.68			164,700.00			1,617,224.68	Asset-related
Sewage treatment and water conservation reconfiguration project	6,131,402.52	59,528,100.00		1,192,682.88			64,466,819.64	Asset-related
Financial grants for technological modification project	192,900,814.51	1,700,000.00	3,000.00	13,582,557.60			181,015,256.91	Asset-related
Zhanjiang integrated forestry, pulp and paper project	271,889,991.56			5,396,664.12	172,986,880.80		93,506,446.64	Asset-related
Interest subsidy	95,580,066.97	524,356.00		456,950.04	78,596,758.63		17,050,714.30	Asset-related
Railway line change compensation	13,705,208.33			368,750.04			13,336,458.29	Asset-related
Logistics park project	53,626,701.00	4,960,000.00	6,626,701.00				51,960,000.00	Asset-related
Huanggang pulp-forestry-paper project	681,039,716.66						681,039,716.66	Asset-related
Others	1,011,499.99	8,615,100.00		644,316.25			8,982,283.74	Asset-related
Total	2,133,757,550.21	75,327,556.00	24,107,676.56	70,998,592.61	251,583,639.43		1,862,395,197.61	

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VII. Notes to items of the consolidated financial statements (Cont'd)

33. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Financial management	250,000,000.00	250,000,000.00
Less: other non-current liabilities due within one year	250,000,000.00	
Medium-term notes	2,047,948,069.73	
Total	2,047,948,069.73	250,000,000.00

34. Share capital

Unit: RMB

	Opening balance	New issue	Increase/decrease during the year(+/-)			Subtotal	Closing balance
			Bonus issue	Shares converted from reserves	Others		
RMB ordinary shares (A shares)	1,113,278,456.00			556,639,228.00		556,639,228.00	1,669,917,684.00
Domestic listed foreign shares (B shares)	470,923,511.00			235,461,755.00		235,461,755.00	706,385,266.00
Overseas listed foreign shares (H shares)	352,203,500.00			176,101,750.00		176,101,750.00	528,305,250.00
Total number of shares	1,936,405,467.00			968,202,733.00		968,202,733.00	2,904,608,200.00

35. Other equity instruments

(1) Preference shares, perpetual bonds and other financial instruments outstanding at the end of the period

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Perpetual bonds	5,570,800,000.00		2,582,800,000.00	2,988,000,000.00
Preference shares	4,477,500,000.00			4,477,500,000.00
Total	10,048,300,000.00		2,582,800,000.00	7,465,500,000.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

35. Other equity instruments (Cont'd)

(2) Changes in perpetual bonds outstanding at the end of the year

Outstanding financial instruments	Opening balance	Increase during the year	Decrease during the year	Closing balance
15 Lu Chenming MTN001	1,291,900,000.00		1,291,900,000.00	
15 Lu Chenming MTN002	1,290,900,000.00		1,290,900,000.00	
17 Lu Chenming MTN001	996,000,000.00			996,000,000.00
17 Lu Chenming MTN002	1,992,000,000.00			1,992,000,000.00
Total	5,570,800,000.00		2,582,800,000.00	2,988,000,000.00

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 RMB2,582.80 million.

The Company issued medium-term notes amounting to RMB3.0 billion on 12 July and 28 September 2017 at a coupon rate of 6.80% and 6.30%. The proceeds net of issue costs amounted to RMB2,988.00 million.

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.

(2) Changes in perpetual bonds outstanding at the end of the year

Outstanding financial instruments	Opening balance	Increase during the year	Decrease during the year	Closing balance
Chenming You 01	2,238,750,000.00			2,238,750,000.00
Chenming You 02	999,000,000.00			999,000,000.00
Chenming You 03	1,239,750,000.00			1,239,750,000.00
Total	4,477,500,000.00			4,477,500,000.00

Notes: ① Particulars of issue: The Company non-publicly issued preference shares amounting to RMB4,500 million on 17 March, 17 August and 22 September 2016. The proceeds net of issue costs amounted to RMB4,477.50 million.

② Particulars of the preference shares as equity Instruments

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VII. Notes to items of the consolidated financial statements *(Cont'd)*

35. Other equity instruments *(Cont'd)*

(2) Changes in perpetual bonds outstanding at the end of the year *(Cont'd)*

Shareholders of preference shares participate in profit distribution in two portions, namely the fixed dividend distributed based on a fixed dividend rate and the distribution of retained earnings realised for the year.

A. Distribution of fixed dividend

According to the Articles of Association, the Company shall distribute fixed dividends to holders of the preference shares at fixed dividend rate if there are distributable profits after making good losses and the contribution to reserve fund according to law. The Board is authorised by the general meeting to declare and pay all dividends on the preference shares in accordance with the issuance plan under the framework and principles considered and approved in the general meeting in respect of the preference shares. The general meeting of the Company has the right to cancel part of or all of the current dividends on the preference shares. However, when the general meeting of the Company considers the cancellation of part of or all of the current dividends on the preference shares, the Company shall inform the shareholders of preference shares at least 10 working days before the date of dividend payment in accordance with the requirements of the related authorities.

B. Participation in the distribution of retained earnings realised for the year.

Holders of preference shares participate in the distribution of the retained earnings through receipt of cash which is non-cumulative and non-deferrable. In the event of making good losses and the contribution to reserve fund according to law, after receiving fixed dividends at fixed dividend rate as agreed, holders of preference shares can also participate in the distribution of the retained earnings for the year in proportion. Specific terms are as follows: the retained earnings for the year arises from net profit attributable to owners of the parent company on a consolidated basis upon distribution of relevant fixed income to holders of financial instruments such as the preference shares which may be classified under equity. 50% of the retained earnings shall be distributed to holders of preference shares and ordinary shareholders. Holders of preference shares shall participate in the distribution of the retained earnings by receiving cash dividends, and the ordinary shareholders shall participate in the distribution of the retained earnings by receiving cash dividends or dividends on ordinary shares.

Based on the above, the preference shares 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 accounted for as other equity instruments – preference shares.

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VII. Notes to items of the consolidated financial statements (Cont'd)

36. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	5,478,935,277.69		1,057,807,869.76	4,421,127,407.93
Other capital reserves	670,322,507.21			670,322,507.21
Total	6,149,257,784.90		1,057,807,869.76	5,091,449,915.14

Other particulars, including changes (increase or decrease) during the period and reasons for such changes:

① In accordance with the profit distribution plan of the Company at the 2017 annual general meeting, based on the share capital as at the end of 2017, a capitalisation issue to ordinary shareholders was made out of the capital reserves of 5 shares for every 10 shares held, while capital premium decreased by RMB968,202,733.00 in A share, B share and H share; ② the acquisition of 49% equity in Guangdong Huirui Investment Co., Ltd. was acquired during the year to offset against capital premium of RMB403,226.07; ③ 55% equity in Shanghai Hongtai Real Estate Co., Ltd. was acquired during the year to offset against capital premium of RMB39,830,949.61; ④ 14.2742% equity in Wuhan Chenming Hanyang Paper Holdings Co., Ltd. was acquired during the year to offset capital premium of RMB32,170,961.08; ⑤ perpetual bonds accounted as equity instruments were repaid to offset capital reserve of RMB17,200,000.00.

37. 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 minority shareholders after tax	Closing balance
				Less: income tax expenses	Attributable to parent company after tax		
II. Other comprehensive income to be reclassified to profit or loss in subsequent periods	-354,165,127.80	-382,355,053.21			-382,355,053.21		-736,520,181.01
Exchange differences on translation of foreign operations	-354,165,127.80	-382,355,053.21			-382,355,053.21		-736,520,181.01
Total other comprehensive income	-354,165,127.80	-382,355,053.21			-382,355,053.21		-736,520,181.01

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VII. Notes to items of the consolidated financial statements (Cont'd)

38. Special reserves

Unit: RMB

Item	Opening balance	Increase for the period	decrease for the period	Closing balance
Safety production	—	3,257,998.47	—	3,257,998.47
Total	—	3,257,998.47	—	3,257,998.47

39. General risk reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
General risk reserves	—	64,123,919.23	—	64,123,919.23
Total	—	64,123,919.23	—	64,123,919.23

Note: Pursuant to the requirements under the Notice of the Ministry of Finance on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20), the assets of a financial enterprise that are subject to risks and losses shall make provisions, including loans and advances, available-for-sale financial assets, held-to-maturity investments, long-term equity investments, deposits with banks, borrowings, debt assets, other receivables and others. The general reserve balance shall not be lower than 1.5% of the closing balance of the risk assets in principle. The general provisions may be used to make up the losses, but not for dividend distribution or capital transfers.

The Company makes provision for general risk in accordance with 1.5% of the closing balance of deposits with banks, loans, discounted assets, borrowings, held-for-trading financial assets, debt investments and other receivables.

40. Surplus reserves

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Closing balance
Statutory surplus reserves	1,132,116,106.40	16,772,805.71		1,148,888,912.11
Total	1,132,116,106.40	16,772,805.71		1,148,888,912.11

Explanation on surplus reserve, including specifications on increase/decrease and reasons during the period:

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.

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VII. Notes to items of the consolidated financial statements (Cont'd)

41. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	8,866,614,844.40	6,745,974,781.02
Accumulated adjustments to retained profit as at the beginning of the year (increase "+", decrease "-")		
Retained profit as at the beginning of the year after adjustment	8,866,614,844.40	6,745,974,781.02
Plus: Net profit for year attributable to shareholders of the parent company	2,509,828,858.47	3,769,325,450.93
Less: Transfer of general risk reserve	64,123,919.23	
Transfer of statutory surplus reserves	16,772,805.71	
Ordinary dividend payable	1,161,843,280.20	1,161,843,280.20
Perpetual bonds interest payable	347,140,000.00	153,140,000.00
Preferred shares interest payable	679,141,006.88	333,702,107.35
Retained profit as at the end of the period	9,107,422,690.85	8,866,614,844.40

42. Revenue and operating cost

Unit: RMB

Item	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	28,215,233,444.13	19,278,736,866.85	29,234,821,975.88	19,688,819,943.41
Other activities	660,522,719.43	567,019,951.66	237,631,588.10	40,370,531.68
Total	28,875,756,163.56	19,845,756,818.51	29,472,453,563.98	19,729,190,475.09

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VII. Notes to items of the consolidated financial statements (Cont'd)

42. Revenue and operating cost (Cont'd)

Information related to revenue:

Unit: RMB

Category of contract	Machine-made paper segment	Financial segment	Magnesium mining segment	Other segment	Total
Type of goods					
Machine-made paper	24,303,557,365.13				24,303,557,365.13
Financial leasing		2,202,061,690.16			2,202,061,690.16
Magnesium mining			416,152,447.97		416,152,447.97
Electricity and steam				154,541,407.23	154,541,407.23
Construction materials				288,669,257.79	288,669,257.79
Paper chemicals				110,998,714.22	110,998,714.22
Hotel services				26,182,589.82	26,182,589.82
Others	707,622,726.12		5,447,245.69	660,522,719.43	1,373,592,691.24
Total	25,011,180,091.25	2,202,061,690.16	421,599,693.66	1,240,914,688.49	28,875,756,163.56
By geographical area					
Domestic	20,715,914,941.04	2,202,061,690.16	401,516,862.23	1,240,914,688.49	24,560,408,181.92
Overseas	4,295,265,150.21		20,082,831.43		4,315,347,981.64
Total	25,011,180,091.25	2,202,061,690.16	421,599,693.66	1,240,914,688.49	28,875,756,163.56

Breakdown of revenue from principal activities

① By industry

Industry	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Machine-made paper	24,303,557,365.13	17,849,873,914.56	26,280,449,337.82	18,620,269,325.34
Electricity and steam	154,541,407.23	115,739,913.92	198,073,854.15	132,197,323.45
Construction materials	288,669,257.79	228,873,017.91	255,747,205.45	207,731,864.76
Paper chemicals	110,998,714.22	104,827,034.51	109,914,856.68	87,993,296.40
Hotel	26,182,589.82	10,147,902.77	24,368,815.97	6,002,436.17
Financial leasing	2,202,061,690.16	167,892,149.50	1,967,883,247.48	282,366,339.02
Magnesium mining	416,152,447.97	198,076,427.48		
Others	713,069,971.81	603,306,506.20	398,384,658.33	352,259,358.27
Total	28,215,233,444.13	19,278,736,866.85	29,234,821,975.88	19,688,819,943.41

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VII. Notes to items of the consolidated financial statements (Cont'd)

42. Revenue and operating cost (Cont'd)

② Machine-made paper by category of major products

Industry	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Duplex press paper	6,155,644,742.23	4,518,550,774.15	6,368,897,144.23	4,681,114,971.82
Coated paper	4,697,177,229.03	3,407,051,401.87	5,489,860,030.01	3,806,504,813.36
White paper board	6,440,247,745.66	5,395,302,715.50	6,906,078,714.80	4,769,506,903.63
Electrostatic paper	2,404,374,935.48	1,440,077,827.51	2,371,439,780.86	1,503,657,404.54
Anti-sticking raw paper	1,208,193,494.70	728,105,243.01	1,207,953,706.05	795,913,212.90
Newsprint paper	9,238,718.81	7,455,316.43	793,309,261.25	644,140,835.06
Household paper	749,151,937.19	703,211,713.08	689,570,026.52	634,573,721.02
Light weight coated paper	198,364,650.45	167,271,261.11	515,092,105.82	424,005,449.53
Writing paper	118,511,116.22	68,838,838.47	275,304,569.70	192,214,424.47
Others	2,322,652,795.36	1,414,008,823.43	1,662,943,998.58	1,168,637,589.01
Total	24,303,557,365.13	17,849,873,914.56	26,280,449,337.82	18,620,269,325.34

③ Machine-made paper by geographical areas

Industry	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	20,008,292,214.92	13,741,799,550.40	22,349,540,450.67	15,002,256,973.81
Other countries and regions	4,295,265,150.21	4,108,074,364.17	3,930,908,887.15	3,618,012,351.53
Total	24,303,557,365.13	17,849,873,914.57	26,280,449,337.82	18,620,269,325.34

④ Revenue from top 5 customers

Period	Total revenue from top 5 customers	Percentage of the total revenue in the same period (%)
2018	2,031,261,823.95	7.03
2017	1,948,080,321.71	6.61

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VII. Notes to items of the consolidated financial statements (Cont'd)

43. Taxes and surcharges

Unit: RMB

Item	Amount for the year	Amount for the prior year
Urban maintenance and construction tax	54,001,398.48	50,478,779.11
Educational surcharges	26,130,730.37	30,952,621.80
Resource tax	14,792,493.31	
Property tax	54,081,329.55	52,257,985.73
Land use tax	51,224,066.03	46,488,866.36
Vehicle and vessel tax	216,968.91	2,281,116.73
Stamp duty	26,256,847.64	26,392,019.08
Local education surcharges	12,085,006.25	4,696,322.19
Water engineering funds	2,718,637.28	4,611,250.65
Land appreciation tax	368,549.40	
Others	8,482,450.88	915,417.98
Total	250,358,478.10	219,074,379.63

44. Selling and distribution expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Wages	132,591,972.27	151,993,338.94
Depreciation expenses	13,122,208.66	15,151,851.01
Office expenses	4,403,154.36	13,050,224.96
Travel expenses	29,777,817.13	25,480,477.96
Selling commissions	26,874,918.19	20,470,833.82
Transportation expenses	869,865,309.41	928,273,255.31
Cargo handling charges	13,435,084.73	17,074,801.73
Rental expenses	9,362,720.62	9,476,394.77
Hospitality expenses	57,922,888.46	76,249,386.92
Warehouse expenses	3,137,071.93	2,129,846.61
Others	30,006,092.73	45,115,140.24
Total	1,190,499,238.49	1,304,465,552.27

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VII. Notes to items of the consolidated financial statements (Cont'd)

45. General and administrative expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Wages and surcharges	286,951,672.01	290,808,448.52
Welfare expenses	47,180,086.08	38,910,702.51
Depreciation expenses	156,273,458.96	87,835,791.30
Amortisation of intangible assets and long-term expenses	39,967,397.65	39,674,943.49
Production interruption loss	55,876,227.19	82,259,940.92
Repair cost and consumption of materials	35,079,467.58	35,983,121.43
Audit fees	5,755,228.95	3,012,975.33
Travel expenses	24,336,676.68	13,590,172.35
Business hospitality expenses	74,890,255.06	61,654,826.69
Waste disposal expenses	12,445,936.32	21,193,488.53
Insurance premium	25,343,799.30	23,384,036.83
Office expenses	10,861,986.20	12,398,147.24
Rental expenses	36,689,373.28	25,292,119.19
Others	156,189,076.64	156,064,904.34
Total	967,840,641.90	892,063,618.67

46. R&D expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Installation expenses	1,489,393.97	1,764,926.50
Depreciation expenses	36,497,685.73	39,874,857.07
Consumption of raw materials	426,981,894.02	442,456,123.25
Consumption of semi-finished products	96,310,870.02	1,787,02179.78
Consumption of auxiliary materials	133,554,802.94	136,143,829.79
Consumption of goods in stock	—	2,098,057.15
Travel expenses	521,322.61	1,303,187.01
Wages and surcharges	106,705,510.89	88,161,597.60
Welfare expenses	3,019,837.65	1,965,668.85
Housing provident funds	4,232,757.63	3,460,638.04
Insurance premium	19,103,988.33	8,682,381.13
Union funds	415,339.74	793,145.84
Utilities	99,972,218.72	110,718,140.68
Other expenses	1,068,066.15	1,181,548.50
Total	929,873,688.40	1,017,306,281.19

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VII. Notes to items of the consolidated financial statements (Cont'd)

47. Finance expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Finance expenses	3,667,168,014.56	2,484,773,417.87
Less: interest income	692,370,142.41	606,383,791.43
Less: capitalised interest amount	318,561,106.91	191,662,767.82
Foreign exchange gains and losses	-156,373,853.85	241,855,705.05
Bank charges	241,636,705.91	188,719,568.05
Total	2,741,486,438.03	2,117,302,131.72

48. Loss on impairment of assets

Unit: RMB

Item	Amount for the year	Amount for the prior year
I. Loss on bad debts		141,361,141.80
II. Loss on inventory impairment and impairment loss of performance costs of contracts	117,733,282.00	
III. Loss on fixed assets impairment	5,177,720.12	
IV. Loss on construction in progress impairment	27,428,935.82	
V. Loss on goodwill impairment	14,314,160.60	
Total	164,654,098.54	141,361,141.80

49. Credit impairment loss

Unit: RMB

Item	Amount for the year	Amount for the prior year
Bad debt loss of bills receivable and accounts receivable	27,385,927.28	
Bad debt loss of other receivables	112,957,716.39	
Bad debt loss of long-term receivables	35,999,108.96	
Bad debt loss of other current assets	- 48,697,835.90	
Total	127,644,916.73	

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VII. Notes to items of the consolidated financial statements (Cont'd)

50. Other income

Unit: RMB

Source of other income	Amount for the year	Amount for the prior year
Government grants - amortised deferred income included in profit or loss	70,998,592.61	90,469,765.78
Government grants - directly included in profit or loss	26,815,747.81	45,060,491.99
Total	97,814,340.42	135,530,257.77

51. Investment income

Unit: RMB

Item	Amount for the year	Amount for the prior year
Income from long-term equity investments accounted for using the equity method	-20,475,760.38	18,506,834.57
Investment gain on disposal of long-term equity investments	113,688,671.06	480,189.88
Investment gain on holding of available-for-sale financial assets		128,691,400.00
Disposal of other non-current financial assets	155,750,000.00	
Income on external entrusted loans		13,330,575.78
Total	248,962,910.68	161,009,000.23

52. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the year	Amount for the prior year
Gain on change in fair value of consumable biological assets measured at fair value	-21,464,400.65	-21,000,042.33
Gain on change in fair value of financial assets measured at fair value		94,000,000.00
Gain on change in fair value of other non-current financial assets	-94,000,000.00	
Total	-115,464,400.65	72,999,957.67

53. Asset disposal income

Unit: RMB

Source of asset disposal income	Amount for the year	Amount for the prior year
Net income from disposal of non-current assets	17,149,722.72	-2,757,178.42
Total	17,149,722.72	-2,757,178.42

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VII. Notes to items of the consolidated financial statements (Cont'd)

54. Non-operating income

Unit: RMB

Item	Amount for the year	Amount for the prior year	Amounts included in extraordinary gains and losses for the year
Gain on debt restructuring		24,309.62	
Government grants	277,480,950.83	265,709,360.70	277,480,950.83
Gain on destroyed and scrapped non-current assets	146,138.79		146,138.79
Gain on business combination involving enterprises not under common control		143,867,008.14	
Others	41,769,147.65	35,665,689.84	41,769,147.65
Total	319,396,237.27	445,266,368.30	319,396,237.27

Government grants included in profit or loss for the year:

Unit: RMB

Grants item	Amount for the year	Amount for the prior year
Amortised deferred income		17,480,975.56
Grants Income		239,989,155.01
Tax refund		20,010,820.26
Total		277,480,950.83

55. Non-operating expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year	Amounts included in extraordinary gains and losses for the year
Donation	8,740,500.00	1,950,000.00	8,740,500.00
Loss on destroyed and scrapped non-current assets	3,324,345.71		3,324,345.71
Provision	3,590,000.00	325,259,082.28	3,590,000.00
Others	3,529,693.40	50,733.36	3,529,693.40
Total	19,184,539.11	327,259,815.63	19,184,539.11

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VII. Notes to items of the consolidated financial statements (Cont'd)

56. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Income tax expenses for the period	723,140,689.50	802,346,750.56
Deferred income tax expenses	-81,563,194.58	-24,831,023.70
Total	641,577,494.92	777,515,726.86

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the year
Total profit	3,206,316,116.19
Income tax expenses calculated at statutory/applicable tax rates	480,947,417.43
Effect of different tax rates applicable to subsidiaries	202,387,066.71
Effect of adjustments for income tax for prior periods	72,043,426.04
Effect of income not subject to tax	-114,214,911.60
Effect of additional deductible expenses	-153,225,494.48
Effect of costs, expenses and loss not deductible for tax purposes	19,512,338.94
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	-24,147,770.84
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	158,275,422.72
Income tax expenses	641,577,494.92

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VII. Notes to items of the consolidated financial statements (Cont'd)

57. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Default penalty and fine	52,469,446.81	35,665,689.84
Finance expenses - Interest income	278,115,215.56	227,093,507.28
Income-related government grants	362,143,279.08	303,645,280.74
Open credit and other income	35,794,381.99	253,031,630.62
Net proceedings from the financial leasing business	6,191,859,054.14	—
Deposit of Leasing Company	—	8,830,000.00
Total	6,920,381,377.58	828,266,108.48

Explanation on cash received relating to other operating activities: Pursuant to the new standards, the government grants related to assets and income were all included in operating activities.

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Financial institutions charge	241,636,705.91	188,719,568.05
Business hospitality expenses	128,872,141.01	137,904,213.61
Travel expenses	55,398,230.16	25,480,477.96
Office expenses	19,426,972.84	13,050,224.96
Transportation expenses	937,436,432.35	928,273,255.31
Leasing expenses	14,452,327.88	9,476,394.77
Waste disposal expenses	31,586,754.90	21,193,488.53
Insurance premium	19,073,069.46	23,384,036.83
Repair expenses	51,165,035.29	35,983,121.43
Cargo handling charges	19,073,069.46	17,074,801.73
Intermediary service expenses	62,252,620.51	57,637,480.41
Net proceedings from the financial leasing business	—	6,209,844,676.71
Donation	8,530,000.00	1,950,000.00
Others	112,331,848.36	321,369,313.67
Total	1,701,235,208.13	7,991,341,053.97

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VII. Notes to items of the consolidated financial statements (Cont'd)

57. Items on statements of cash flow (Cont'd)

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Asset-related government grants	—	99,341,073.00
Principal withdrawal of entrusted loans	—	900,000,000.00
Total	—	999,341,073.00

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Security deposit for Goldtrust Futures	36,000,000.00	—
Security deposit for Western Trust	5,000,000.00	—
Security deposit for acquisition of equity interest in Nanyue Bank	694,000,000.00	—
Compensation liability	103,042,210.54	—
Total	838,042,210.54	—

(4) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Short-term commercial paper	12,915,683,724.57	16,570,426,739.99
Perpetual bonds	—	2,988,000,000.00
Loan from the Finance Company	100,000,000.00	—
Equipment leaseback	3,702,500,000.00	2,857,984,827.85
Total	16,718,183,724.57	22,416,411,567.84

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VII. Notes to items of the consolidated financial statements (Cont'd)

57. Items on statements of cash flow (Cont'd)

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Repayment of short-term commercial paper and MTN	18,036,968,519.46	13,726,553,994.41
Repayment of perpetual bonds	2,600,000,000.00	4,001,277,281.68
Repayment of equipment leaseback	2,790,756,044.94	1,257,472,246.21
Repayment of interest on preference shares	679,141,006.88	333,706,007.35
Repayment of interest on perpetual bonds	347,140,000.00	153,140,000.00
Increase in restricted bank deposits for the year	5,272,132,418.30	3,509,014,813.10
Security deposit for financial leasing	32,200,000.00	—
Acquisition of non-controlling interests in Shanghai Hongtai	2,089,074,400.00	—
Acquisition of non-controlling interests in Guangdong Huirui	120,600,000.00	—
Acquisition of non-controlling interests in Wuhan Chenming	60,896,600.00	—
Total	32,028,908,989.58	22,981,164,342.75

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VII. Notes to items of the consolidated financial statements (Cont'd)

58. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the year	Amount for the prior year
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	2,564,738,621.27	3,758,962,846.67
Plus: Provision for impairment of assets	292,299,015.27	141,361,141.80
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of bearer biological assets	1,686,464,360.70	1,613,399,119.31
Amortisation of intangible assets	49,169,532.63	90,224,458.07
Amortisation of long-term prepaid expenses	8,377,363.10	16,218,441.95
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-16,986,475.18	2,757,178.42
Loss on changes in fair value (“-” denotes gain)	115,279,025.65	-72,999,957.67
Finance expenses (“-” denotes gain)	3,348,593,728.38	2,338,613,808.53
Investment loss (“-” denotes gain)	-248,962,910.68	-161,009,000.23
Decrease in deferred income tax assets (“-” denotes increase)	-81,584,848.22	-24,831,023.70
Decrease in inventories (“-” denotes increase)	-748,682,942.57	-1,109,545,250.30
Decrease in operating receivables (“-” denotes increase)	12,866,522,125.36	-15,769,361,315.41
Increase in operating payables (“-” denotes decrease)	-5,735,524,708.67	9,199,975,595.49
Net cash flows from operating activities	14,099,701,887.04	23,766,042.93
2. Major investing and financing activities not involving cash settlements:	—	—
3. Net change in cash and cash equivalents:	—	—
Closing balance of cash	2,381,558,242.52	2,804,408,374.46
Less: Opening balance of cash	2,804,408,374.46	1,979,861,045.62
Net increase in cash and cash equivalents	-422,850,131.94	824,547,328.84

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VII. Notes to items of the consolidated financial statements (Cont'd)

58. Supplementary information on cash flow statement (Cont'd)

(2) Net cash received from disposing subsidiaries during the current period

	Unit: RMB	
	Amount	
Cash or cash equivalents received in this period from disposal of subsidiaries in this period		30,000,000.00
Of which:		—
Xuchang Chenming Paper Co. Ltd.		30,000,000.00
Less: cash and cash equivalents held by subsidiaries on the date of losing control		10,389,739.30
Of which:		—
Net cash received from disposing subsidiaries		19,610,260.70
Of which:		—
Xuchang Chenming Paper Co. Ltd.		19,610,260.70

(3) Cash and cash equivalents composition

	Unit: RMB	
Item	Closing balance	Opening balance
I. Cash	2,381,558,242.52	2,804,408,374.46
Of which: Treasury cash	2,078,321.66	2,344,438.45
Bank deposit that can be used for payment at any time	2,379,479,920.86	2,802,063,936.01
III. Balance of cash and cash equivalent as at end of period	2,381,558,242.51	2,804,408,374.46

Other explanation: Cash and cash equivalents did not include the restricted cash and cash equivalents used by the Company or subsidiaries within the Group.

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VII. Notes to items of the consolidated financial statements (Cont'd)

59. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	16,911,216,505.27	As guarantee deposits for bank acceptance bills, letter of credit, and bank borrowings deposits, and deposit reserves
Bills receivable	431,715,666.94	As collateral for short-term borrowings, letters of guarantee and letters of credit
Fixed assets	8,079,811,565.53	As collateral for bank borrowings
Intangible assets	873,985,362.13	As collateral for bank borrowings and long-term payables
Investment properties	4,691,453,227.24	As collateral for bank borrowings
Total	30,988,182,327.11	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

60. 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	65,298,230.91	6.8632	448,154,818.38
EUR	1,117,538.10	7.8473	8,769,656.73
HKD	953,429.43	0.8762	835,394.87
JPY	1,266,974.00	0.0619	78,425.69
GBP	2,949.91	8.7729	25,879.27
KRW	481,186,778.00	0.0051	2,454,052.57
Accounts receivables	—	—	
Of which: USD	360,449,354.21	6.8632	2,473,836,007.81
EUR	12,193,661.97	7.8473	95,687,323.58
HKD			
JPY	146,734,998.00	0.0619	9,082,896.38
Other receivables			
Of which: USD	30,062,101.72	6.8632	206,322,216.52
EUR	658,111.28	7.8473	5,164,396.65
Long-term borrowings	—	—	
Of which: USD	367,307,309.20	6.8632	2,520,903,524.50
EUR	21,056,153.79	7.8473	165,233,955.64
HKD			
Accounts payable			
Of which: USD	42,111,655.10	6.8632	289,020,711.28
EUR	28,596,874.91	7.8473	224,408,256.48
JPY	309,605.00	0.0619	19,164.55
Other payables			
Of which: USD	363,791,451.01	6.8632	2,496,773,486.57
EUR	601,452.96	7.8473	4,719,781.81
JPY	492,960.00	0.0619	30,514.22
Non-current liabilities due within one year			
Of which: USD	199,953,464.76	6.8632	1,372,320,619.34
EUR	32,000,000.00	7.8473	251,113,600.00
Short-term borrowings			
Of which: USD	474,868,282.73	6.8632	3,259,115,998.03

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VII. Notes to items of the consolidated financial statements (Cont'd)

60. Foreign currency items (Cont'd)

- (2) Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal places of business, functional currency and basis. Reasons shall be disclosed if there is any change in the functional currency.

Applicable Not applicable

No.	Name of subsidiary	Principal place of business	Place of incorporation	Functional currency
1	Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
2	Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	KRW
3	Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD
4	Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
5	Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
6	Chenming Paper United States Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD

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VIII. Change in scope of consolidation

1. Disposal of subsidiaries

Whether there is loss of control over subsidiaries on a single disposal

Yes No

Unit: RMB

Name of subsidiary	Consideration of disposal of equity interest	Shareholding of disposal of equity interest	Nature of disposal of equity interest	Time of loss of control	Basis for time	Difference between consideration and share of net assets of relevant subsidiary as per consolidated financial statements	Remaining shareholding as of the date of loss of control	Carrying amount of remaining shareholding as of the date of loss of control	Fair value of remaining shareholding as of the date of loss of control	Gain or loss in fair value of remaining shareholding	Determination of fair value assumption of remaining shareholding as of the date of loss of control	Relevant other comprehensive income of former subsidiary transferred to profit or loss
Xuchang Chenming Paper Co., Ltd.	30,000,000.00	30.00%	Disposal	1 January 2018	Without control	17,007,455.36	30.00%	30,000,000.00	21,496,272.32	-8,503,727.68	-	-

Whether there was disposal of investment in a subsidiary through several transactions resulting in loss of control during the period

Yes No

2. Change in scope of consolidation due to other reasons

Explanation on the changes in scope of consolidation caused by other reasons (e.g. setting up new subsidiaries and liquidating subsidiaries) and their related information:

During the year, the scope of consolidation included 4 newly established subsidiaries, namely Shandong Chenming Coated Paper Sales Co. Ltd., Chenming Paper United States Co., Ltd., Beijing Chenming Financial Leasing Co., Ltd., and Jiangxi Chenming Supply Chain Management Co., Ltd. For details, please see Note IX. 1 "Interest in subsidiaries".

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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	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making	100.00%		Establishment
Shouguang Meilun Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	100.00%		Establishment
Jilin Chenming Paper Co., Ltd.	Jilin, China	Jilin, China	Paper making	100.00%		Merger and acquisition
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang, China	Huanggang, China	Pulp production	100.00%		Establishment
Shandong Chenming Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales of paper	100.00%		Establishment
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang, China	Shouguang, China	Import and export trade	100.00%		Establishment
Jiangxi Chenming Supply Chain Management Co., Ltd.	Jiangxi, China	Jiangxi, China	Trading		70.00%	Establishment
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	Paper product trading	100.00%		Establishment
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang, China	Shouguang, China	Machinery manufacturing	100.00%		Establishment
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Printing and packaging	100.00%		Merger and acquisition
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang, China	Shouguang, China	Transportation	100.00%		Establishment
Shouguang Chenming Industrial Logistics Co., Ltd.	Shouguang, China	Shouguang, China	Logistics	100.00%		Establishment
Jinan Chenming Investment Management Co., Ltd.	Jinan, China	Jinan, China	Investment management	100.00%		Establishment
Huanggang Chenming Arboriculture Development Co., Ltd.	Huanggang, China	Huanggang, China	Arboriculture	100.00%		Establishment
Chenming Arboriculture Co., Ltd.	Wuhan, China	Wuhan, China	Arboriculture	100.00%		Establishment
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Sales of paper	100.00%		Establishment
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang, China	Shouguang, China	Power	100.00%		Establishment
Shouguang Shun Da Customs Declaration Co., Ltd.	Shouguang, China	Shouguang, China	Customs declaration	100.00%		Establishment
Shanghai Chenming Industrial Co., Ltd.	Shanghai, China	Shanghai, China	Property investment and management	100.00%		Establishment
Wuxi Song Ling Paper Co., Ltd.	Wuxi, China	Wuxi, China	Paper making	100.00%		Merger and acquisition
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Fuyu, China	Fuyu, China	Sales of paper	100.00%		Establishment

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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 Group Finance Co., Ltd.	Jinan, China	Jinan, China	Finance	80.00%	20.00%	Establishment
Jiangxi Chenming Paper Co., Ltd.	Nanchang, China	Nanchang, China	Paper making	51.00%	49.00%	Establishment
Qingdao Chenming International Logistics Co., Ltd.	Qingdao, China	Qingdao, China	Logistics	30.00%	70.00%	Establishment
Shouguang Chenming Art Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	75.00%		Establishment
Hailaer Chenming Paper Co., Ltd.	Hailaer, China	Hailaer, China	Paper making	75.00%		Establishment
Shandong Grand View Hotel Co., Ltd.	Shouguang, China	Shouguang, China	Catering	70.00%		Establishment
Haicheng Haiming Mining Co., Ltd.	Haicheng, China	Haicheng, China	Mining	60.00%		Establishment
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Wuhan, China	Wuhan, China	Paper making	65.21%		Establishment
Chengdu Chenming Culture Communication Co., Ltd.	Chengdu, China	Chengdu, China	Marketing	100.00%		Establishment
Shandong Chenming Financial Leasing Co., Ltd.	Jinan, China	Jinan, China	Financial leasing		100.00%	Establishment
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	Qingdao, China	Qingdao, China	Financial leasing		100.00%	Establishment
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	Paper product trading		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 sale of waste		100.00%	Merger and acquisition
Shouguang Wei Yuan Logistics Company Limited	Shouguang, China	Shouguang, China	Logistics		100.00%	Merger and acquisition
Shandong Chenming Panels Co., Ltd.	Shouguang, China	Shouguang, China	Panels		100.00%	Merger and acquisition
Shandong Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Floor board		100.00%	Merger and acquisition
Shouguang Chenming Cement Co., Limited	Shouguang, China	Shouguang, China	Cement		100.00%	Establishment
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan, China	Wuhan, China	Electric power		51.00%	Establishment
Shandong Chenming Investment Limited	Jinan, China	Jinan, China	Investment		100.00%	Establishment
Japan Chenming Paper Co., Ltd.	Tokyo, Japan	Tokyo, Japan	Paper product trading		100.00%	Establishment
Chenming International Co., Ltd.	Los Angeles, the United States	Los Angeles, the United States	Paper product trading		100.00%	Establishment

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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	
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Arboriculture		100.00%	Establishment
Yangjiang Chenming Arboriculture Development Co., Ltd.	Yangjiang, China	Yangjiang, China	Arboriculture		100.00%	Establishment
Nanchang Chenming Arboriculture Development Co., Ltd.	Nanchang, China	Nanchang, China	Arboriculture		100.00%	Establishment
Guangdong Huirui Investment Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Investment		100.00%	Merger and acquisition
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Wall materials		100.00%	Establishment
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin, China	Jilin, China	Wall materials		100.00%	Establishment
Jilin Chenming Logistics Co., Ltd.	Jilin, China	Jilin, China	Logistics		100.00%	Establishment
Jiangxi Chenming Logistics Co., Ltd.	Nanchang, China	Nanchang, China	Logistics		100.00%	Establishment
Fuyu Chenming Paper Co., Ltd.	Fuyu, China	Fuyu, China	Paper making		100.00%	Establishment
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making		100.00%	Establishment
Shanghai Chenming Financial Leasing Co., Ltd.	Shanghai, China	Shanghai, China	Financial leasing		100.00%	Establishment
Guangzhou Chenming Financial Leasing Co., Ltd.	Guangzhou, China	Guangzhou, China	Financial leasing		100.00%	Establishment
Shanghai Hongtai Real Estate Co., Ltd.	Shanghai, China	Shanghai, China	Real estate		100.00%	Merger and acquisition
Shanghai Hongtai Property Management Co., Ltd.	Shanghai, China	Shanghai, China	Property Management		100.00%	Merger and acquisition
Shandong Chenming Commercial Factoring Co., Ltd.	Jinan, China	Jinan, China	Business factoring		100.00%	Establishment
Guangzhou Chenming Commercial Factoring Co., Ltd.	Guangzhou, China	Guangzhou, China	Business factoring		51.00%	Establishment
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Center Co., Ltd.	Qingdao, China	Qingdao, China	Trading	30.00%	70.00%	Establishment
Beijing Chenming Meilun Technology Co., Ltd.	Beijing, China	Beijing, China	Marketing		100.00%	Establishment
Shandong Chenming Coated Paper Sales Co. Ltd.	Shouguang, China	Shouguang, China	Sales	100.00%		Establishment
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Cargo loading	100.00%		Establishment
Beijing Chenming Financial Leasing Co., Ltd.	Beijing, China	Beijing, China	Finance		100.00%	Establishment
Chenming Paper United States Co., Ltd.	The United States	3200 EL CAMINO REAL, UITE 130, IRVINE, CA	Paper trading	100.00%		Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	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.	34.79%	16,400,725.12		84,476,555.75
Shouguang Chenming Art Paper Co., Ltd.	25.00%	29,663,023.86		81,277,315.43
Haicheng Haiming Mining Co., Ltd.	40.00%	50,552,395.60		144,317,440.76

(3) Key financial information of major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	304,800,513.20	1,128,834,779.70	1,433,635,292.90	1,116,394,677.03	43,004,618.52	1,159,399,295.55	489,799,209.30	1,241,278,595.22	1,731,077,804.52	1,438,701,718.23	53,182,469.27	1,491,884,187.50
Shouguang Chenming Art Paper Co., Ltd.	874,366,187.24	618,223,904.52	1,492,590,091.76	1,167,480,830.07		1,167,480,830.07	371,585,385.81	662,367,808.01	1,033,953,193.82	827,496,027.57		827,496,027.57
Haicheng Haiming Mining Co., Ltd.	175,097,261.05	1,711,242,454.23	1,886,339,715.28	1,522,288,114.91		1,522,288,114.91	75,944,768.92	1,181,346,911.13	1,257,291,680.05	1,022,879,067.16		1,022,879,067.16

Unit: RMB

Name of subsidiary	Amount for the year				Amount for 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.	1,364,181,429.19	35,042,380.33	35,042,380.33	316,577,834.65	1,326,430,263.21	38,962,265.63	38,962,265.63	624,821.83
Shouguang Chenming Art Paper Co., Ltd.	909,260,241.77	118,652,095.44	118,652,095.44	-99,931,648.76	711,899,986.30	54,257,436.10	54,257,436.10	1,912,526.67
Haicheng Haiming Mining Co., Ltd.	421,599,693.66	126,380,989.01	126,380,989.01	75,115,059.89		-5,459,132.11	-5,459,132.11	4,186,562.69

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IX. Interest in other entities (Cont'd)

2. Transaction changing shareholding in but not causing to loss of control over subsidiaries

(1) Changing in shareholding in subsidiaries

During the year, the Company acquired 14.27% equity interest in Shanghai Hongtai Real Estate Co., Ltd., holding 65.21% of shares upon completion of the transaction; acquired 49% equity interest in Guangdong Huirui Investment Co., Ltd., holding 100% of shares upon completion of the transaction; and acquired 55% equity interest in Shanghai Hongtai Real Estate Co., Ltd., holding 100% of shares upon completion of the transaction.

(2) Impact on minority interests and equity attributable to the owners of the parent company

Unit: RMB

	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Guangdong Huirui Investment Co., Ltd.	Shanghai Hongtai Real Estate Co., Ltd. (30% equity interest)	Shanghai Hongtai Real Estate Co., Ltd. (25% equity interest)
--Cash	61,668,493.87	120,600,000.00	1,171,957,789.46	917,116,610.54
Total acquisition cost/disposal consideration	61,668,493.87	120,600,000.00	1,171,957,789.46	917,116,610.54
Less: share of net assets in subsidiaries based on shares acquired/disposed	29,497,532.79	120,196,773.93	1,140,288,356.59	908,955,093.80
Difference	32,170,961.08	403,226.07	31,669,432.87	8,161,516.74
Of which: capital reserve adjustment	-32,170,961.08	-403,226.07	-31,669,432.87	-8,161,516.74

Note: During the period, the Company acquired 30% and 25% of equity interest in Shanghai Hongtai Real Estate Co., Ltd., respectively, and was recognised in capital reserve separately as the transactions did not constitute a package deal.

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IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint ventures and associates	Principle place of business	Principle place of business	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Weifang Senda Meixi Port Co., Ltd.	Weifang, China	Weifang, China	Port construction	50.00%		Equity method
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Ningbo, China	Ningbo, China	Investment management	40.00%		Equity method
Weifang Xingxing United Chemical Co., Ltd.	Weifang, China	Weifang, China	Chemical	50.00%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai, China	Zhuhai, China	Investment management	50.00%		Equity method

(2) Key financial information of major joint ventures

Unit: RMB

	Closing balance/Amount for the year		Opening balance/Amount for the prior year	
	Weifang Senda Meixi Port Co., Ltd.	Weifang Xingxing United Chemical Co., Ltd.	Weifang Senda Meixi Port Co., Ltd.	Weifang Xingxing United Chemical Co., Ltd.
Current assets	55,386,175.28	97,755,183.56	104,769,683.99	—
Of which: Cash and cash equivalents	53,489,910.53	35,030,150.70	20,253,054.23	—
Non-current assets	528,403,804.86	38,098,361.81	325,782,379.60	—
Total assets	583,789,980.14	135,853,545.37	430,552,063.59	—
Current liabilities	1,236,372.30	32,584,182.76	32,781,806.73	—
Non-current liabilities	389,620,042.41		201,622,321.84	—
Total liabilities	390,856,414.71	32,584,182.76	234,404,128.57	—
Equity attributable to shareholders of the parent company	192,933,565.43	103,269,362.61	196,147,935.02	—
Share of net assets based on shareholding	96,466,782.72	51,634,681.31	98,073,967.51	—
--Others	6,693,074.99	57,618,555.81	6,710,954.90	—
Carrying amount of investment in joint ventures	103,159,857.71	109,253,237.12	104,784,922.41	—
Finance expenses	-346,852.57	-8,403.59	-308,457.69	—
Net profit	-3,214,369.59	26,370,424.95	-2,578,637.02	—
Total comprehensive income	-3,214,369.59	26,370,424.95	-2,578,637.02	—

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IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates

Unit: RMB

	Closing balance/Amount for the year		Opening balance/Amount for the prior year	
	Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)
Current assets	79,292,150.81	5,492,635.42	146,452,805.16	14,081,866.81
Non-current assets	119,000,000.00	99,020,000.00	51,000,000.00	89,760,000.00
Total assets	198,292,150.81	104,512,635.42	197,452,805.16	103,841,866.81
Current liabilities	13,135.40	5,000.00		5,000.00
Total liabilities	13,135.40	5,000.00		5,000.00
Equity attributable to shareholders of the parent company	198,279,015.41	104,507,635.42	197,452,805.16	103,836,866.81
Share of net assets based on shareholding	79,311,606.16	52,253,817.72	78,977,173.01	51,918,433.41
Carrying amount of investment in associates	199,585,216.93	52,253,817.72	198,981,173.01	51,918,433.41
Net profit	1,510,109.81	670,768.61	-2,547,194.84	1,266,311.79
Total comprehensive income	1,510,109.81	670,768.61	-2,547,194.84	1,266,311.79

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IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(4) Summary financial information of non-major joint ventures and associates

Unit: RMB

	Closing balance/Amount for the year	Opening balance/ Amount for the prior year
Joint ventures:	—	—
Total carrying amount of investment	3,572,834.79	3,087,296.74
Total amount of the following items based on shareholding	—	—
– Net profit	485,538.07	-251,183.31
Associates:	—	—
Total carrying amount of investment	18,761,580.99	33,097,001.90
Total amount of the following items based on shareholding	—	—
– Net profit	-11,838,692.59	20,463,638.03

(5) Excess loss of joint ventures or associates

Unit: RMB

Name of joint ventures or associates	Accumulated unrecognised loss incurred for prior periods	Unrecognised loss (or share of net profit) for the period	Unrecognised loss (or share of net profit) for the period
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	7,308,869.16		7,308,869.16

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X. Risk relating to financial instruments

Principal financial instruments of the Company include equity investments, debt investments, loans, accounts receivable, accounts payable, convertible bonds and others, further information of which are set out in relevant items of this note VII. Risks relating to these financial instruments and relevant risk management policies of the Company are described below. The management of the Company manages and controls 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.

(I) 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.

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, JPY, GBP and KRW. Save for several subsidiaries of the Company whose purchases and sales are denominated in USD, EUR, HKD, JPY, GBP and KRW, other principal activities of the Company are settled in RMB. As at 31 December 2018, except for the following assets and liabilities whose balance were denominated in USD, EUR, HKD, JPY, GBP and KRW, 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.

Item	USD	EUR	Closing balance			
			HKD	JPY	GBP	KRW
Cash and cash equivalents	65,298,230.91	1,117,538.10	953,429.43	1,266,974.00	2,949.91	481,186,778.00
Bills receivable and accounts receivable	360,449,354.21	12,193,661.97		146,734,998.00		
Other receivables	30,062,101.72	658,111.28				
Accounts payable	42,111,655.10	28,596,874.91		309,605.00		
Other payables	363,791,451.01	601,452.96		492,960.00		
Short-term borrowings	474,868,282.73					
Long-term borrowings	367,307,309.20	21,056,153.79				
Non-current liabilities due within one year	199,953,464.76	32,000,000.00				

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X. Risk relating to financial instruments (Cont'd)

(I) Objective and policies of risk management (Cont'd)

1. Market risk (Cont'd)

(1) Foreign exchange risk (Cont'd)

Item	USD	EUR	Opening balance			
			HKD	JPY	GBP	KRW
USD	822,476,228.06	28,772,352.01	83,601.58	249,812.67	3,256,758.82	1,432,970.52
USD	324,940,401.37	343,401,672.49		8,504,840.76		4,266.69
Short-term borrowings	4,627,480,497.94	1,162,895,564.23				
Accounts payable	631,675,626.49	81,833,084.13				
Non-current liabilities						
due within one year	695,892,300.00	1,344,180,244.00				
Long-term borrowings	2,102,216,801.84	1,210,916,961.53				

The Company has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risks of the Company and has adopted the following measures to avoid foreign exchange risk: A. to have reasonable allocation between assets and liabilities denominated in foreign currencies, gradual reduction in foreign borrowings and appropriate allocation of liabilities denominated in EUR for overseas subsidiaries to avoid foreign exchange risk; B. to closely monitor the exchange rate changes in the international market and fix the exchange rate for certain business denominated in foreign currencies when the swap price is appropriate.

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	-699,372,242.37	-345,492,429.84
USD	5% devaluation against RMB	699,372,242.37	345,492,429.84
EUR	5% appreciation against RMB	-49,590,467.35	-171,382,591.47
EUR	5% devaluation against RMB	49,590,467.35	171,382,591.47
GBP	5% appreciation against RMB	3,097.41	162,837.94
GBP	5% devaluation against RMB	-3,097.41	-162,837.94
HKD	5% appreciation against RMB	1,001,100.90	4,180.08
HKD	5% devaluation against RMB	-1,001,100.90	-4,180.08
JPY	5% appreciation against RMB	154,559,377.35	-437,732.67
JPY	5% devaluation against RMB	-154,559,377.35	437,732.67
KRW	5% appreciation against RMB	505,246,116.90	71,861.86
KRW	5% devaluation against RMB	-505,246,116.90	-71,861.86

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X. Risk relating to financial instruments (Cont'd)

(I) Objective and policies of risk management (Cont'd)

1. Market risk (Cont'd)

(2) Interest rate risk – risk of cash flow movements

The risk of cash flow movement of the Company arising from interest rate movement was mainly attributable to variable-rate bank loans (for details, please see this Note VII. 28). The Company's policy is to maintain the floating rate of these borrowings. An increase in interest rate will increase the cost of new interest-bearing debts and the interest expenses of outstanding interest-bearing debts at floating interest rates, and have a significant adverse impact on the Company's financial results. The Company will make timely adjustment based on the latest market conditions.

Interest rate risk sensitivity analysis:

The interest rate risk sensitivity analysis is based on the below assumptions:

- Change in market interest rate influences interest income or expense of variable-rate financial instruments;
- For fixed-rate financial instruments measured at fair value, market interest rate only influences its interest income or expense;
- For derivative financial instruments designated as hedging instruments, the change in market rates influences its fair value, and all interest rate hedging are anticipated to be highly effective;
- Change in fair value of derivative financial instruments and other financial assets and liabilities is calculated by using discounted cash flow method in accordance with the market interest rate on the balance sheet date.

Based on the assumption above, if other variables remain the same, the pre-tax impact of potential reasonable change of interest rate on the current profit or loss and shareholders' equity is shown as follows:

Item	Change in interest rate	For the year		For the prior year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Short-term borrowings	Increases by 1%	-18,260,916.24	-18,260,916.24	-50,151,578.98	-50,151,578.98
Short-term borrowings	Decreases by 1%	18,260,916.24	18,260,916.24	50,151,578.98	50,151,578.98
Long-term borrowings	Increases by 1%	-27,863,489.83	-27,863,489.83	-61,395,527.30	-61,395,527.30
Long-term borrowings	Decreases by 1%	27,863,489.83	27,863,489.83	61,395,527.30	61,395,527.30

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X. Risk relating to financial instruments (Cont'd)

(I) Objective and policies of risk management (Cont'd)

2. Credit risk

The “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” revised in 2017 performs impairment accounting treatment and recognises loss provision for financial assets within the scope of application based on expected credit losses. The standard specifies an impairment model for the “three-stage” change in credit quality upon initial recognition.

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 2018, unutilised bank loans of the Company amounted to RMB2,959,469.33 (31 December 2017: RMB2,790,036.09).

The maturity analysis of financial assets and financial liabilities held by the Company according to the undiscounted outstanding contractual obligations is as follows:

Item	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years
Financial assets					
Monetary funds	19,292,774,747.79				
Bills receivable	1,199,616,491.46				
Accounts receivable	3,451,563,448.16	71,098,999.39	71,505,067.24	42,904,871.67	166,291,709.67
Other receivables					
Long-term receivables		4,657,708,557.15	2,889,005,394.66	481,421,051.93	35,296,958.58
Non-current assets due within one year	4,016,428,811.52				
Other current assets	10,281,312,825.13				
Subtotal					
Financial liabilities					
Short-term borrowings	40,227,945,361.89				
Bills payable	4,218,969,554.93				
Accounts payable	3,566,507,866.14	261,760,924.33	80,120,125.97	241,839,728.22	
Other payables	283,814,281.72	897,818,538.38	104,694,209.08	166,523,011.36	
Non-current liabilities due within one year	7,216,305,771.01				
Long-term borrowings		2,032,389,007.22	1,011,033,152.67	746,925,900.00	1,625,309,510.84
Long-term payables		1,254,714,430.97	1,137,685,779.68	978,390,070.78	1,029,465,412.01
Bonds payable					2,097,562,500.00

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X. Risk relating to financial instruments (Cont'd)

(II) 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 RMB5,214,973,227.57 (last year: RMB3,742,679,994.55) in total. 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 2018, discounted bank acceptance not yet due amounted to RMB1,194,662,827.01 (31 December 2017: RMB2,169,102,479.25).

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 of fair value	—	—	—	—
1. Equity instrument investment	—	—	103,000,000.00	103,000,000.00
2. Consumable biological assets	—	926,416,572.04	—	926,416,572.04
Total assets continuously measured at fair value	—	1,029,416,572.04	—	1,029,416,572.04
II. Discontinuous measurement of fair value	—	—	—	—

2. Level 3 continuous and non-continuous measurement, valuation techniques and qualification and quantification of key inputs

The Company uses the harvest present value method to assess the fair value of consumable biological assets. The harvest present value method is to estimate the discounted value of the net income of the assessed forest assets during final felling by using the harvest table, deducting the difference of the discounted value of the forest production cost spent during the period from the assessment bench mark date to final felling, which is a method to assess the value of the assessed forest assets.

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XI. Fair value (Cont'd)

3. Level 3 continuous measurement, adjustment between opening and closing value and sensitivity of unobservable inputs

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 investment yield or 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	Increases by 1%	-39,808,078.34	-39,808,078.34	-49,440,118.54	-49,440,118.54
Consumable biological assets	Decreases by 1%	43,368,412.26	43,368,412.26	53,618,250.63	53,618,250.63

Note: In the prior period, the income method was used to evaluate the impact of the change in the discount rate on the fair value. In the current period, the harvest present value method is used to assess the impact of the change in investment yield on fair value.

4. Fair value of financial assets and financial liabilities not measured at fair value

The Company's financial assets and financial 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. The carrying amount of the above financial assets and financial liabilities deviates from the fair value by a small amount.

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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
Chenming Holdings Co., Ltd.	Shouguang	Investment in manufacture of paper, electricity, steam, arboriculture	1,238,787,700.00	27.83%	27.83%

Explanation on the parent company of the Company: The ultimate controller of the Company is Shouguang State-owned Assets Supervision and Administration Office.

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 ventures 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
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Company
Xuchang Chenming Paper Co., Ltd.	An associate of the Company
Weifang Sime Darby West Port Co., Ltd.	A joint venture of the Company
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	An associate of the Company
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	An associate of the Company
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	An associate of the Company
Chenming (Qingdao) Asset Management Co., Ltd.	An associate of the Company
Jiangxi Chenming Port Co., Ltd.	An associate of the Company
Weifang Xingxing Joint Chemical Co., Ltd.	A joint venture of the Company

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XII. Related parties and related party transactions (Cont'd)

4. Other related parties

Name of other related parties	Relation
Shandong Shouguang Jinxin Investment Development Holdings Group Co., Ltd.	Shareholder of the Company's largest shareholder
Shouguang Henglian Enterprise Investment Limited	Shareholder of the Company's largest shareholder
Shouguang Ruifeng Enterprise Investment Limited	Shareholder of the Company's largest shareholder
Chenming Holdings (Hong Kong) Limited	Subsidiary of the Company's largest shareholder
Zhanjiang Chenming Real Estate Co., Ltd.	Subsidiary of the Company's largest shareholder
Qingdao Hongji Weiye Investment Co., Ltd.	Subsidiary of the Company's largest shareholder
Shouguang Hengying Real Estate Co., Ltd.	Subsidiary of the Company's largest shareholder
Shouguang Hengtai Enterprise Investment Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Huixin Construction Materials Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Chenming Guangyuan Real Property Co., Ltd. and its subsidiaries	A company invested by the Directors and senior management of the Company
Qingdao Chenming Nonghai Investment Co., Ltd. and its subsidiaries	A company invested by the Directors and senior management of the Company
Nanchang Chenjian New-style Wall Materials Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Hengde Enterprises Investment Co., Ltd.	A company invested by the Directors and senior management of the Company
Zhejiang Huaming Investment Management Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Directors
Hebei Chenming Zhongjin Real Estate Development Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Supervisors
Wuhan Chenming Zhongjin Real Estate Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Supervisors
Wuhan Rongsheng Zhongjin Development and Investment Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Supervisors
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Share participating company of the Company
Zhejiang Guangyu Idall Print Co., Ltd.	Share participating company of the Company
Anhui Time Source Corporation	Share participating company of the Company
Shandong Hongqiao Venture Capital Co., Ltd.	Share participating company of the Company
Shanghai Hengzheng Venture Investment Center (Limited Partnership)	Share participating company of the Company
Lide Technology Co., Ltd.	Share participating company of the Company
Jiangxi Chenming Natural Gas Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Directors

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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	Amount for the reporting period	Transaction facility approved	Whether the transaction facility is exceeded	Amount for the prior period
Jiangxi Chenming Natural Gas Co., Ltd.	Procurement of natural gas and medium oil, etc.	347,639,077.35	350,000,000.00	No	147,672,678.06
Weifang Xingxing Joint Chemical Co., Ltd.	Procurement of hydrogen peroxide etc.	85,728,655.93	Not applicable	Not applicable	—

Table on sales of goods/providing of services

Unit: RMB

Related party	Details of related party transaction	Amount for the reporting period	Amount for the prior period
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Sales of electricity and gas	6,528,609.08	—
Shouguang Huixin Construction Materials Co., Ltd.	Sales of cement, coal, oil etc.	19,056,566.01	—
Anhui Time Source Corporation	Sales of paper	—	164,772,473.79
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	Sales of paper	—	381,903.20

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XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Weifang Sendamei West Port Co., Ltd.	135,000,000.00	20 December 2017	20 December 2027	No
Shandong Chenming Paper Sales Co., Ltd.	350,000,000.00	24 February 2018	21 February 2019	No
Shandong Chenming Paper Sales Co., Ltd.	250,000,000.00	10 April 2018	10 April 2019	No
Shandong Chenming Paper Sales Co., Ltd.	130,000,000.00	4 July 2018	5 July 2019	No
Shandong Chenming Paper Sales Co., Ltd.	200,000,000.00	13 July 2018	14 January 2019	No
Shandong Chenming Paper Sales Co., Ltd.	420,000,000.00	23 July 2018	24 July 2019	No
Shandong Chenming Paper Sales Co., Ltd.	300,000,000.00	21 August 2018	22 February 2019	No
Shandong Chenming Paper Sales Co., Ltd.	254,260,749.60	12 September 2018	12 March 2019	No
Shandong Chenming Paper Sales Co., Ltd.	300,000,000.00	26 October 2018	26 October 2019	No
Shandong Chenming Paper Sales Co., Ltd.	575,786,616.47	5 November 2018	5 May 2019	No
Shandong Chenming Paper Sales Co., Ltd.	420,090,519.43	9 November 2018	10 May 2019	No
Shandong Chenming Paper Sales Co., Ltd.	450,000,000.00	14 November 2018	14 November 2019	No
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	16 November 2018	16 May 2019	No
Shouguang Meilun Paper Co., Ltd.	57,450,000.00	19 January 2018	18 January 2019	No
Shouguang Meilun Paper Co., Ltd.	102,627,454.23	18 October 2018	16 April 2019	No
Shouguang Meilun Paper Co., Ltd.	108,446,151.63	13 December 2018	11 June 2019	No
Shouguang Meilun Paper Co., Ltd.	170,000,000.00	11 December 2018	6 December 2019	No
Shouguang Meilun Paper Co., Ltd.	249,263,998.39	30 August 2018	26 February 2019	No
Chenming (HK) Limited	94,986,688.00	1 March 2017	18 March 2019	No
Chenming (HK) Limited	247,075,200.00	23 March 2018	20 March 2019	No
Chenming (HK) Limited	322,570,400.00	28 May 2018	15 May 2019	No
Chenming (HK) Limited	206,170,528.00	22 June 2018	22 June 2019	No
Chenming (HK) Limited	65,886,720.00	3 July 2018	3 January 2019	No
Chenming (HK) Limited	302,598,488.00	3 July 2018	19 June 2019	No
Chenming (HK) Limited	302,323,960.00	10 July 2018	22 June 2019	No
Chenming (HK) Limited	56,964,560.00	8 August 2018	15 July 2019	No
Chenming (HK) Limited	96,771,120.00	10 August 2018	15 July 2019	No
Chenming (HK) Limited	226,005,176.00	19 November 2018	8 November 2019	No
Chenming (HK) Limited	200,000,000.00	5 December 2018	5 December 2019	No
Chenming (HK) Limited	65,200,400.00	7 December 2018	6 December 2019	No
Chenming (HK) Limited	171,580,000.00	11 December 2018	22 March 2019	No
Chenming (HK) Limited	34,316,000.00	11 December 2018	22 March 2019	No
Chenming (HK) Limited	159,088,976.00	23 April 2018	7 April 2021	No

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XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Chenming (HK) Limited	91,280,560.00	4 May 2018	6 April 2021	No
Chenming (HK) Limited	96,084,800.00	11 May 2018	11 April 2020	No
Chenming (HK) Limited	57,376,352.00	17 May 2018	5 May 2021	No
Chenming (HK) Limited	254,512,536.77	8 August 2018	25 May 2021	No
Chenming (HK) Limited	254,512,536.77	8 August 2018	25 May 2021	No
Chenming (HK) Limited	305,412,400.00	4 September 2018	21 June 2021	No
Chenming (HK) Limited	305,412,400.00	6 September 2018	21 June 2021	No
Chenming (HK) Limited	192,855,920.00	30 November 2018	30 October 2020	No
Chenming (HK) Limited	288,254,400.00	2 November 2016	10 September 2019	No
Chenming (HK) Limited	363,749,600.00	18 January 2017	8 April 2019	No
Chenming (HK) Limited	281,391,200.00	7 November 2017	30 September 2019	No
Chenming (HK) Limited	141,251,400.00	24 May 2017	27 April 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	18 January 2018	17 January 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	9 February 2018	8 February 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	32,000,000.00	25 June 2018	18 June 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,730,254.39	27 July 2018	21 July 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	31 August 2018	16 August 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	13 September 2018	12 September 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	17 October 2018	17 October 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	12 October 2018	11 October 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	17 October 2018	27 September 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,903,967.00	17 October 2018	17 October 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	19 October 2018	19 October 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	6 November 2018	4 November 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	12 November 2018	12 November 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	166,670,000.00	9 November 2018	8 November 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	97,116,354.19	3 December 2018	25 November 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	20 December 2018	19 December 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	26 December 2018	25 December 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	339,220,180.04	7 January 2018	8 January 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	48,999,600.00	27 April 2018	26 April 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,711,407.52	23 November 2018	22 November 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	48,166,397.65	23 November 2018	22 November 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	31,000,000.00	3 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	20 June 2017	20 June 2019	No

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XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	35,688,640.00	5 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	137,264,000.00	21 December 2017	20 December 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,000,000.00	13 February 2018	11 February 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	23 February 2018	11 February 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	26 February 2018	11 February 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	28 February 2018	11 February 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	330,000,000.00	31 October 2018	30 October 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	31 October 2018	30 October 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	18 December 2018	31 October 2020	No
Jilin Chenming Paper Co., Ltd.	49,300,000.00	25 October 2018	30 April 2019	No
Jilin Chenming Paper Co., Ltd.	22,620,000.00	26 October 2018	2 May 2019	No
Jiangxi Chenming Paper Co., Ltd.	76,500,000.00	29 May 2018	24 May 2019	No
Jiangxi Chenming Paper Co., Ltd.	22,500,000.00	20 June 2018	20 June 2019	No
Jiangxi Chenming Paper Co., Ltd.	99,000,000.00	10 July 2018	8 July 2019	No
Jiangxi Chenming Paper Co., Ltd.	4,429,170.51	6 July 2018	2 January 2019	No
Jiangxi Chenming Paper Co., Ltd.	51,000,000.00	16 August 2018	14 August 2019	No
Jiangxi Chenming Paper Co., Ltd.	28,000,000.00	24 August 2018	24 August 2019	No
Jiangxi Chenming Paper Co., Ltd.	68,000,000.00	29 January 2014	1 January 2019	No
Jiangxi Chenming Paper Co., Ltd.	60,000,000.00	24 July 2014	1 January 2019	No
Jiangxi Chenming Paper Co., Ltd.	60,000,000.00	29 July 2014	1 January 2019	No
Jiangxi Chenming Paper Co., Ltd.	40,000,000.00	25 September 2014	1 January 2019	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	16 March 2017	16 March 2019	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	1 April 2017	16 March 2019	No
Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	12 June 2017	12 June 2019	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	29 November 2017	29 November 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	130,000,000.00	11 June 2018	11 June 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	72,000,000.00	7 November 2018	7 November 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	80,000,000.00	17 October 2018	17 October 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	200,000,000.00	19 October 2018	15 April 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	311,537,810.00	2 March 2016	17 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	311,537,810.00	18 March 2016	2 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	175,000,000.00	21 September 2017	21 September 2020	No

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XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Huanggang Chenming Pulp & Paper Co., Ltd.	21,840,000.00	14 December 2015	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	21,840,000.00	14 December 2015	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,770,000.00	14 December 2015	26 September 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	27,070,000.00	14 December 2015	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	5,700,000.00	24 June 2016	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,770,000.00	24 June 2016	26 March 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	530,000.00	24 June 2016	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,240,000.00	5 January 2017	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	5 January 2017	26 September 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	5 January 2017	26 December 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	5 January 2017	26 March 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	5 January 2017	26 June 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	3,900,000.00	5 January 2017	26 September 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	36,260,000.00	3 February 2017	26 September 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	3 February 2017	26 December 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	3 February 2017	26 March 2022	No
Huanggang Chenming Pulp & Paper Co., Ltd.	33,420,000.00	3 February 2017	26 June 2022	No
Huanggang Chenming Pulp & Paper Co., Ltd.	54,905,600.00	26 September 2016	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	17,330,952.64	26 September 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	44,531,362.58	19 September 2018	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,642,107.09	14 November 2018	14 November 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,649,014.00	5 December 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	66,702,050.00	5 December 2016	26 September 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	41,747,636.00	5 December 2016	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	24,954,414.00	12 April 2017	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	66,702,050.00	12 April 2017	26 March 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	10,358,436.00	12 April 2017	26 June 2020	No
Total	16,150,497,024.90			

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XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(3) Related party lending and borrowing

Unit: RMB

Related party	Borrowing amount	Starting date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	376,000,000.00	28 August 2018	17 July 2019	
Lending				
Weifang Sime Darby West Port Co., Ltd.	59,500,000.00	9 July 2018	8 July 2022	

(4) Distribution band of remuneration of key management staff

Unit: RMB

Item	Amount during the year	Amount during the prior year
Remuneration of key management staff	24,601,900.00	24,539,700.00

① Distribution band of remuneration of key management staff

Band of annual remuneration	Amount during the year	Amount during the prior year
Total	24.6019 million	24.5397 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		
RMB2.80-3.20 million		1
RMB2.40-2.80 million		1
RMB2.00-2.40 million	3	2
RMB1.60-2.00 million	1	3
RMB1.20-1.60 million	5	1
RMB0.80-1.20 million	1	
Below RMB0.80 million	15	14

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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	Amount during the year (RMB'0,000)			Total (RMB'0,000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Pan Ailing	12.00			12.00
Huang Lei	12.00			12.00
Liang Fu	12.00			12.00
Wang Fengrong	12.00			12.00
Sub-total of independent non-executive Directors	48.00			48.00
Yang Guihua	12.00			12.00
Zhang Hong	12.00			12.00
Sub-total of non-executive Directors	24.00			24.00
Chen Hongguo	491.03	5.63	2.34	499.00
Hu Changqing	190.46	7.82	1.72	200.00
Yin Tongyuan	120.9	1.82	1.48	124.20
Geng Guanglin	146.24	5.63	2.34	154.21
Li Feng	132.51	5.63	2.34	140.48
Chen Gang	178.12	5.63	2.34	186.09
Sub-total of executive Directors	1,259.26	32.16	12.56	1,303.98
Li Dong				0
Sun Yinghua	60.05	5.63	2.34	68.02
Yang Hongqin	12.90	2.17	0.83	15.90
Zhang Xiaofeng	2.50			2.50
Total of Supervisors	75.45	7.80	3.17	86.42
Sub-total of other senior management members	946.77	34.54	16.48	997.79
Total	2,353.44	74.5	32.21	2,460.19

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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	Amount during the prior year (RMB'0,000)			Total (RMB'0,000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Pan Ailing	12.00			12.00
Huang Lei	12.00			12.00
Liang Fu	12.00			12.00
Wang Fengrong	12.00			12.00
Sub-total of independent non-executive Directors	48.00			48.00
Yang Guihua	12.00			12.00
Zhang Hong	12.00			12.00
Sub-total of non-executive Directors	24.00			24.00
Chen Hongguo	491.59	5.23	2.18	499.00
Yin Tongyuan	290.59	5.23	2.18	298.00
Geng Guanglin	185.70	5.23	2.18	193.11
Li Feng	234.81	5.23	2.18	242.22
Sub-total of executive Directors	1,167.92	32.90	13.77	1,214.59
Li Dong	54.85	3.29	1.40	59.54
Sun Yinghua	44.51	4.89	2.00	51.40
Yang Hongqin	16.14	2.25	0.97	19.36
Liu Jilu	2.08			2.08
Zhang Xiaofeng	2.50			2.50
Total of Supervisors	134.88	10.43	4.37	134.88
Sub-total of other senior management members	973.98	28.76	12.02	1,014.76
Total	2,368.75	60.11	25.11	2,453.97

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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 5 highest paid individuals of the Company during the year comprised of 3 directors and 2 other senior management members of the Company. The remuneration bands of the 2 senior management members were RMB2.00-2.40 million.

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	1,262.58	1,421.26
Provident fund	11.08	8.72
Social welfare contribution	30.34	20.92
Total	1,304.00	1,450.90

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		
RMB2.80-3.20 million		1
RMB2.40-2.80 million		1
RMB2.00-2.40 million	3	2
RMB1.60-2.00 million	1	
RMB1.20-1.60 million		

- ④ During the year, no other emoluments were paid by the Company to the directors of the Company and the 5 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.

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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	Book balance	Bad debt
Accounts receivable	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	774,832.20	38,741.61	2,995,456.40	149,772.82
Prepayments	Jiangxi Chenming Natural Gas Co., Ltd.	33,567,041.92		18,519,096.64	
Prepayments	Shouguang Chenming Natural Gas Co., Ltd.	25,586,691.33		37,493,155.33	
Other receivables	Arjo Wiggins Chenming Specialty Paper Co., Ltd.	1,191,705.08	1,191,705.08	1,191,705.08	1,191,705.08
Other receivables	Weifang Sime Darby West Port Co., Ltd.	60,836,961.43	304,184.80	75,500,000.00	3,775,000.00

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Weifang Xingxing Joint Chemical Co., Ltd.	18,544,025.96	
Other payables	Chenming Holdings Co., Ltd.	376,000,000.00	
Other payables	Shouguang Hengtai Enterprise Investment Company Limited	44,392,007.69	42,189,702.27

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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	1,463,816,242.90	3,826,992,695.73
Huirui BT Project		2,500,000,000.00
Total	1,463,816,242.90	6,326,992,695.73

(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	5,315,217.18	4,382,201.43
The second year after balance sheet date	4,929,546.64	4,777,714.37
The third year after balance sheet date	4,406,104.83	5,133,887.63
In the years thereafter	86,672,608.29	179,556,362.24
Total	101,323,476.94	193,850,165.67

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XIII. Undertaking and contingency (Cont'd)

2. Contingency

(1) Significant contingency as at the balance sheet date

Contingent liabilities arising from pending litigation and its financial impacts

In October 2005, the Company and Hong Kong ArjowigginsHKK2Limited (“HKK2”) jointly established Arjo Wiggins Chenming Specialty Paper Co., Ltd. in Shouguang, Shandong Province, which is engaged in the production of special paper, decoration paper and draft paper. However, such company experienced poor management due to financial crisis. Hence, such company was forced to dissolve in October 2008.

In October 2012, HKK2 submitted for arbitration application to Hong Kong International Arbitration Centre, Hong Kong Special Administration of PRC, on the ground of default of the joint venture agreement by the Company. In November 2015, Hong Kong International Arbitration Centre announced arbitration result, stating that the Company should compensate HKK2 with economic loss of RMB167 million, arbitration fee of HK\$3.30 million and legal fee of USD3.54 million, together with interest thereon calculated at 8% per annum. In October 2016, the Company received a statutory demand, stating that if the Company fails to perform the arbitration results within 21 days, the liquidation application on H shares of the Company will be submitted. Subsequently, HKK2 submitted H shares liquidation application to the arbitration centre.

In November 2016, the Company submitted application to the Court of First Instance of the High Court of the HKSAR and received an injunction, stating that “the applicant is prohibited from applying for liquidation on the Company”.

In February 2017, HKK2 submitted an appeal to the court. In June 2017, the court dismissed the injunction received by the Company. In the same month, the Company received the liquidation application submitted by the defendant to the High Court of Hong Kong, which alleged that the Company should compensate the defendant with economic loss of RMB167 million, legal fee of USD3.54 million and arbitration fee of HK\$3.30 million, together with interest thereon due to failure in compliance of the arbitration results.

In September 2017, the Company procured a deposit of HK\$389 million to the High Court of Hong Kong, and appealed against the injunction to the court. In May 2018, the court session of the case commenced. At present, the injunction case is still in progress.

In 2017, the Company made provision of RMB325,259,082.28 for the expected liability arising from this litigation. However, as at 31 December 2018, judgment of the court of Hong Kong is yet to be made, and the expected loss is uncertain. Hence, such expected liability is still stated under the balance sheet.

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XIV. Post-balance sheet event

1. Profit distribution

(1) Fixed dividend of Chenming You 01

On 6 March 2019, the resolution on payment of 2019 fixed dividend on preference shares was passed at the thirty-sixth extraordinary meeting of the eighth session of the Board. Among which, the first-tranche of preference shares will be issued in 22.50 million shares (with a par value of RMB100 per share). Based on the coupon rate of 4.36%, dividend of RMB4.36 (tax inclusive) per preference share will be distributed, amounting to RMB98.10 million (tax inclusive) in aggregate.

(2) 2018 profit distribution proposal

On 29 March 2019, the twelfth meeting of the eighth session of the Board of the Company was held to consider the 2018 profit distribution proposal. Based on the total ordinary share capital of 2,904,608,200 shares as at the end of 2018 and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2018, a cash dividend of RMB2.4 (tax inclusive) per 10 shares will be distributed to ordinary shareholders, a cash dividend of RMB2.40 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares, and no capitalisation issue will be made out of the capital reserves. A cash dividend of RMB697,105,968 will be distributed to ordinary shareholders and a variable cash dividend of RMB279,069,767.52 will be distributed to holders of preference shares.

2. Other post-balance sheet date event

The resolution on the establishment of Shanghai Sales Co., Ltd. was passed at the thirty-fifth extraordinary meeting of the eighth session of the Board. The Company decided to establish Shanghai Sales Co., Ltd, with registered capital of RMB100 million, thereby fully utilising the advantages of Shanghai Financial Center, expanding and enhancing the Shanghai platform, putting greater efforts in market development, as well as enhancing the overall strength and comprehensive competitiveness of the Company

The resolution on the cooperation to initiate the establishment of Weifang Chenming Growth Driver Replacement Equity Investment Fund was passed at the thirty-sixth extraordinary meeting of the eighth session of the Board. The Company decided to establish Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership), with registered capital of RMB1,000 million. It is primarily engaged in investment activities as permitted by laws, and focused on the implementation of major works on supporting the growth driver replacement in Weifang, protected legal rights of all partners and obtained investment gains through equity or other investments.

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XV. Other material matters

1. Corrections on previous accounting errors

(1) Retrospective restatement method

Unit: RMB

Corrections on accounting errors	Resolutions	Names of affected items in the statements for respective comparable period	Cumulative amount affected
Some of the financial leasing operations conducted by Shandong Chenming Financial Leasing Co., Ltd., a subsidiary of the Company, did not comply with laws. Hence, interest income arising from such operations shall recognise as interest income and interest expense instead of revenue and operating costs.	The resolution on correction of previous accounting errors and retrospective restatement was passed at the twelfth meeting of the eighth session of the Board and the thirteenth meeting of the eighth session of the Supervisory Board.	Operating income from principal activities	-379,290,284.15
	The resolution on correction of previous accounting errors and retrospective restatement was passed at the twelfth meeting of the eighth session of the Board and the thirteenth meeting of the eighth session of the Supervisory Board	Interest expense	-379,290,284.15

Note: Some of the financial leasing operations conducted by Shandong Chenming Financial Leasing Co., Ltd., a subsidiary of the Company, did not comply with laws. Hence, interest income arising from such operations shall recognise as interest income and interest expense instead of revenue and operating costs. For adjustment for errors in 2017, revenue was reduced by RMB379,290,284.15, while finance cost reduced by RMB379,290,284.15. At the same time, for adjustment for errors in 2016, revenue was reduced by RMB340,195,777.53, while finance cost reduced by RMB340,195,777.53. For adjustment for errors in 2015, revenue was reduced by RMB49,262,640.70, while finance cost reduced by RMB49,262,640.70. As such errors are items under income statement, opening retained profit will not be affected.

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XV. Other material matters (Cont'd)

2. Segment information

(1) Basis for determination and accounting policies

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 operating segments. The management of the Company evaluates the operating results of such segments on a regular basis, in order to allocate the resources and evaluate their results. On the basis of operating segments, the Company determines 4 reporting segments, namely machine-made paper segment, financial service segment, magnesium ore segment and other segment. The primary products or services provided by each reporting segment of the Company include machine-made paper and relevant products, financial leasing services and financial services, magnesium ore and other products.

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) Financial information of reporting segment

Unit: RMB'0,000

Item	Machine-made paper	Financial services	Magnesium ore	Others	Inter-segment elimination	Total
Income from principal activities	2,467,420.00	287,193.00	41,615.24	115,466.38	90,171.28	2,821,523.34
Cost for principal activities	1,806,528.16	126,269.94	19,954.37	113,969.11	138,847.89	1,927,873.69
Total assets	12,608,630.43	3,520,186.80	188,774.24	898,873.43	6,684,591.42	10,531,873.48
Total liabilities	8,596,980.92	1,893,336.74	153,313.95	448,735.81	3,147,663.06	7,994,704.36

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XVI. Notes to major financial statement items of the parent company

1. Bills receivable and accounts receivable

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	436,662,187.80	787,095,075.51
Accounts receivable	1,349,276,965.04	8,188,750.45
Total	1,785,939,152.84	795,283,825.96

(1) Bills receivable

1) Bills receivable by category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	436,662,187.80	787,095,075.51
Commercial acceptance bills		
Total	436,662,187.80	787,095,075.51

2) Bills receivable pledged at the end of the period

Unit: RMB

Item	Closing pledged amount
Bank acceptance bills	431,715,666.94
Commercial acceptance bills	
Total	431,715,666.94

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XVI. Notes to major financial statement items of the parent company (Cont'd)

1. Bills receivable and accounts receivable (Cont'd)

(1) Bills receivable (Cont'd)

- 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	11,748,686,945.38	
Commercial acceptance bills	1,782,100,000.00	
Total	13,530,786,945.38	

- 4) Bills transferred to accounts receivable due the default of the issuer as at the end of the period

Unit: RMB

Item	Amount transferred to accounts receivable as at the end of the period
Commercial acceptance bills	5,000,000.00
Total	5,000,000.00

Other explanation: During the year, the accumulated bank acceptance bills issued by the Company to banks amounted to RMB160,905,138.71 (2017: RMB373,074,516.02), with discount expenses incurred of RMB3,553,992.73 (2017: RMB7,043,917.95). As at 31 December 2018, outstanding discounted bills receivable amounted to RMB32,370,000.00 (2017: RMB22,172,826.30).

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XVI. Notes to major financial statement items of the parent company (Cont'd)

1. Bills receivable and accounts receivable (Cont'd)

(2) Accounts receivable

1) Accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Including:										
Accounts receivable that are collectively assessed for bad debt provision	1,349,962,797.42	100.00%	685,832.38	0.06%	1,349,276,965.04	8,860,393.90	100.00%	671,643.45	7.58%	8,188,750.45
Including:										
Receivables from related parties	1,342,192,951.98	99.42%			1,342,192,951.98	4,208,410.45	47.50%			4,208,410.45
Receivables from customers of distributors	7,769,845.44	0.58%	685,832.38	8.83%	7,084,013.06					
Accounts receivable that are collectively assessed for bad debt provision based on credit risk characteristics						4,651,983.45	52.50%	671,643.45	14.44%	3,980,340.00
Total	1,349,962,797.42	100.00%	685,832.38	0.06%	1,349,276,965.04	8,860,393.90	100.00%	671,643.45	7.58%	8,188,750.45

By age

Unit: RMB

Age	Closing balance
Within 1 year (inclusive)	1,343,661,038.96
1 to 2 years	
2 to 3 years	5,615,926.08
Over 3 years	
Total	1,349,276,965.04

2) Top five accounts receivable based on closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the year was RMB1,340,842,975.00, which accounted for 99.32% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB1,047,391.21.

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XVI. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	77,257,506.25	55,570,669.83
Other receivables	19,328,057,454.99	22,295,632,815.00
Total	19,405,314,961.24	22,351,203,484.83

(1) Interest receivable

Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Time deposit	77,257,506.25	55,570,669.83
Total	77,257,506.25	55,570,669.83

(2) Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	19,297,217,793.30	22,208,959,701.11
Payment for equipment	45,241,076.47	20,754,940.07
Standby credit and borrowings	7,681,197.42	389,539.61
Deposit	9,958,377.28	
Insurance premium	466,935.72	17,518.66
Investment		4,568,145.95
Others	39,175,451.96	129,819,327.47
Total	19,399,740,832.15	22,364,509,172.87

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XVI. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables

(2) Other receivables

2) By age

Unit: RMB

Age	Closing balance
Within 1 year (inclusive)	19,272,345,409.01
1 to 2 years	67,661,717.48
2 to 3 years	8,441,937.61
Over 3 years	51,291,768.05
Total	19,399,740,832.15

- 3) Provision, recovery or reversal of bad debt provision for the period
Bad debt provision for the current year amounted to RMB2,807,019.29. The amount for bad debt provision recovered or reversed for during the current period was RMB0.00.

- 4) Top five other receivables according to closing balance of debtors

Unit: RMB

Name of entity	Nature	Closing balance	Maturity	Percentage to closing balance of other receivables	Closing balance of bad debt provision
Shandong Chenming Financial Leasing Co., Ltd.	Open credit	8,150,499,316.05	Within 1 year	42.01%	
Shanghai Chenming Financial Leasing Co., Ltd.	Open credit	2,192,000,000.00	Within 1 year	11.30%	
Huanggang Chenming Pulp & Paper Co., Ltd.	Open credit	2,022,781,568.75	Within 1 year	10.43%	
Shanghai Chenming Industry Co., Ltd.	Open credit	1,297,668,824.89	Within 1 year	6.69%	
Haicheng Haiming Mining Co., Ltd.	Open credit	1,233,662,555.30	Within 1 year	6.36%	
Total	—	14,896,612,264.99	—	76.79%	

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XVI. Notes to major financial statement items of the parent company (Cont'd)

3. Long-term equity investments

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Investment in subsidiaries	22,114,152,649.90		22,114,152,649.90	18,310,508,366.48		18,310,508,366.48
Investment in associates and joint ventures	373,264,793.34		373,264,793.34	360,525,877.01		360,525,877.01
Total	22,487,417,443.24		22,487,417,443.24	18,671,034,243.49		18,671,034,243.49

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance provision of impairment
Chenming Paper Korea Co., Ltd.	6,143,400.00			6,143,400.00		
Chenming GmbH	4,083,235.00			4,083,235.00		
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	1,000,000.00			1,000,000.00		
Haicheng Haiming Mining Co., Ltd.	144,000,000.00			144,000,000.00		
Hailaer Chenming Paper Co., Ltd.	12,000,000.00			12,000,000.00		
Huanggang Chenming Pulp & Paper Co., Ltd.	1,200,000,000.00	50,000,000.00		1,250,000,000.00		
Huanggang Chenming Arboriculture Development Co., Ltd.	70,000,000.00			70,000,000.00		
Jilin Chenming Paper Co., Ltd.	1,501,350,000.00			1,501,350,000.00		
Jinan Chenming Investment Management Co., Ltd.	100,000,000.00			100,000,000.00		
Jiangxi Chenming Paper Co., Ltd.	822,867,646.40			822,867,646.40		
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	61,668,493.87		264,493,210.21		
Shandong Grand View Hotel Co., Ltd.	80,500,000.00			80,500,000.00		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,000,000,000.00	27,500,000.00		5,027,500,000.00		
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80			113,616,063.80		
Shouguang Meilun Paper Co., Ltd.	4,449,441,979.31			4,449,441,979.31		
Shouguang Shun Da Customs Declaration Co, Ltd.	1,500,000.00			1,500,000.00		
Shandong Chenming Paper Sales Co., Ltd.	662,641,208.20			662,641,208.20		

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XVI. Notes to major financial statement items of the parent company (Cont'd)

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

(1) Investment in subsidiaries (Cont'd)

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance provision of impairment
Shouguang Chenming Import and Export Trade Co., Ltd.	250,000,000.00			250,000,000.00		
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.	3,730,000.00			3,730,000.00		
Shandong Chenming Group Finance Co., Ltd.	2,400,000,000.00	1,600,000,000.00		4,000,000,000.00		
Chenming Arboriculture Co., Ltd.	45,000,000.00			45,000,000.00		
Shanghai Chenming Industry Co., Ltd.	1,000,000,000.00	2,000,000,000.00		3,000,000,000.00		
Chenming (HK) Limited		118,067,989.55		118,067,989.55		
Chenming Paper USA Co., Ltd.		6,407,800.00		6,407,800.00		
Xuchang Chenming Paper Co., Ltd.	60,000,000.00		60,000,000.00			
Total	18,310,508,366.48	3,863,644,283.42	60,000,000.00	22,114,152,649.90		

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XVI. Notes to major financial statement items of the parent company (Cont'd)

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

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Investment gain or loss recognizer 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 ventures												
Shouguang Chenming Huisen												
New-style Construction												
Materials Co., Ltd.	3,087,296.72			485,538.07							3,572,834.79	
Weifang Sime Darby West												
Port Co., Ltd.	104,784,922.41			-1,625,064.70							103,159,857.71	
Subtotal	107,872,219.13			-1,139,526.63							106,732,692.50	
II. Associates												
Jiangxi Jiangbao Media												
Colour Printing Co., Ltd.	1,754,051.46			-942,052.71							811,998.75	
Zhuhai Dechen New Third												
Board Equity Investment												
Fund Company												
(Limited Partnership)	51,918,433.41			335,384.31							52,253,817.72	
Ningbo Kaichen Huamei												
Equity Investment												
Fund Partnership												
(Limited Partnership)	198,981,173.01			604,043.93							199,585,216.93	
Chenming (Qingdao) Asset												
Management Co., Ltd.		8,200,000.00		-313,478.53							7,886,521.47	
Xuchang Chenming Paper Co., Ltd.		21,496,272.32		-15,501,726.35							5,994,545.97	
Subtotal	252,653,657.88	29,696,272.32		-15,817,829.35							266,532,100.84	
Total	360,525,877.01	29,696,272.32		-16,957,355.99							373,264,793.34	

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XVI. Notes to major financial statement items of the parent company (Cont'd)

4. Revenue and operating costs

Unit: RMB

Item	Amount for the reporting period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	4,196,033,317.73	2,902,204,877.94	6,033,262,719.79	3,970,890,010.22
Other activities	1,478,808,522.94	1,378,583,504.42	1,167,660,784.17	1,020,463,556.73
Total	5,674,841,840.67	4,280,788,382.36	7,200,923,503.96	4,991,353,566.95

5 Investment income

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	-16,957,355.99	-3,265,824.03
Investment gain on held-for-trading financial assets		128,691,400.00
Investment gain from disposal of held-for-trading financial assets	155,750,000.00	
Investment gain from long-term equity investments accounted for using the equity method	590,000,000.00	
Interest income from entrusted loans		13,312,368.97
Total	728,792,644.01	138,737,944.94

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XVII. Supplementary information

1. Breakdown of extraordinary gains and losses for the current period

Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets	17,149,722.72	
Unauthorised or unofficially approved tax rebate or reduction		
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	535,691,291.26	
Except for effective hedging business conducted over the course of ordinary operation of the Company, gain or loss arising from fair value change in held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, as well as investment gain on disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other equity investments	61,750,000.00	
Gain or loss from change in fair value of consumable biological assets adopting fair value method for follow-up measurements	-21,464,400.65	
Non-operating gains and losses other than the above items	23,291,720.22	
Less: Effect of income tax	52,960,460.82	
Effect of minority interest	7,328,864.01	
Total	556,129,008.72	—

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

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XVII. Supplementary information (Cont'd)

2. Returns on net assets and earnings per share

Profit for the reporting period	Rate 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	8.51%	0.51	0.51
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	5.32%	0.32	0.32

Note: The net profit attributable to ordinary shareholders of the company has deducted other equity instruments - perpetual debt can be deferred and accrued to the interest paid in subsequent periods. The impact of dividends on the preference shares of other equity instruments declared to be released after consideration and approval. When calculating the financial indicators of earnings per share and weighted average return on equity, the interest on perpetual bonds of RMB347,140,000 and the dividends on issuance of preference shares of RMB679,141,006.88 are deducted during the reporting period.

Item	Profit for the reporting period
Net profit attributable to the Company	2,509,828,858.47
Less: Effect of cumulative interest on perpetual bonds	347,140,000.00
Dividends on preference shares	679,141,006.88
Net profit attributable to ordinary shareholders	1,483,547,851.59

3. 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

- (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

XIV 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 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.

The Board of Shandong Chenming Paper Holdings Limited

29 March 2019



山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*