



SHANDONG CHENMING PAPER HOLDINGS LIMITED*

2019 Interim Report

August 2019

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 interim 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 interim 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, adjustment of state policy and competition in the industry. Investor should be aware of investment risks. For further details, please refer to the risk exposures of the Company and the measures to be taken to address them as set out in Discussion and Analysis of Operations.

The Company does not propose distribution of cash dividends or bonus shares, and there will be no increase of share capital from reserves.

I Important Notice, Table of Contents and Definitions

Table of Contents

I	Important Notice, Table of Contents and Definitions	1
II	Company Profile and Key Financial Indicators	4
III	Business Overview	7
IV	Discussion and Analysis of Operations	13
V	Material Matters	24
VI	Changes in Share Capital and Shareholders	42
VII	Preference Shares	47
VIII	Directors, Supervisors and Senior Management	49
IX	Corporate Bonds	54
X	Financial Report	58
XI	Documents Available for Inspection	189

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
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.
GDR Fund	means	Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Goldtrust Futures	means	Goldtrust Futures Co., Ltd.
the reporting period	means	The period from 1 January 2019 to 30 June 2019
the beginning of the year or the period	means	1 January 2019
the end of the interim period or the period	means	30 June 2019

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	Chenming Paper	Stock code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		

II. Contact persons and contact methods

Secretary to the Board		Hong Kong Company Secretary
Name	Yuan Xikun	Chu Hon Leung
Correspondence Address	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	22nd Floor, World Wide House
Telephone	0536-2158008	+852-21629600
Facsimile	0536-2158977	+852-25010028
Email address	chenmmingpaper@163.com	liamchu@li-partners.com

III. Other information

1. Contact methods of the Company

Whether the registered address, office address, postal code, website, email of the Company changed during the reporting period

☐ Applicable ☒ Not applicable

There was no change of the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to 2018 Annual Report for details.

2. Information disclosure and places for inspection

Whether the information disclosure and places for inspection changed during the reporting period

☐ Applicable ☒ Not applicable

There was no change of the newspapers designated by the Company for information disclosure, designated websites for the publication of the interim report as approved by CSRC and places for inspection of the Company's interim report during the reporting period. Please refer to 2018 Annual Report for details.

II Company Profile and Key Financial Indicators

IV. Major accounting data and financial indicators

Retrospective adjustment to or restatement of the accounting data for prior years by the Company

☐ Yes ☒ No

	The reporting period	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	13,348,648,113.70	15,551,334,039.89	-14.16%
Net profit attributable to shareholders of the Company (RMB)	509,795,572.29	1,784,631,025.31	-71.43%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	303,144,996.21	1,537,896,765.44	-80.29%
Net cash flows from operating activities (RMB)	2,699,770,891.69	4,745,037,920.91	-43.10%
Basic earnings per share (RMB per share)	0.013	0.36	-96.39%
Diluted earnings per share (RMB per share)	0.013	0.36	-96.39%
Rate of return on net assets on weighted average basis	0.21%	5.77%	-5.56%

	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Total assets (RMB)	106,558,750,961.42	105,318,734,827.82	1.18%
Net assets attributable to shareholders of the Company (RMB)	24,468,978,032.01	25,048,731,454.79	-2.31%

Data specification for basic earnings per share, diluted earnings per share, and rate of return on weighted average net assets:

Net profit attributable to shareholders of the Company does not exclude the effect of interest of perpetual bonds and the dividends of preference shares paid and declared to be paid. When calculating financial indicators such as earnings per share and the rate of return on net assets on weighted average basis, the interest for perpetual bonds from 1 January 2019 to 30 June 2019 of RMB96,202,739.73 and the dividend on preference shares paid and declared to be paid in 2019 of RMB377,169,767.52 are deducted.

II Company Profile and Key Financial Indicators

V. 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.

3. Reasons for differences in accounting data under domestic and overseas accounting standards

☐ Applicable ☒ Not applicable

VI. Items and amounts of extraordinary gains or losses

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Explanation
Profit or loss from disposal of non-current assets (including write-off of asset impairment provision)	23,358,777.37	
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	227,698,648.23	
Non-operating gains and losses other than the above items	4,188,590.61	
Gain or loss from change in fair value of consumable biological assets adopting fair value method for subsequent measurements	-1,883,064.80	
Less: Effect of income tax	46,750,425.02	
Effect of minority interest (after tax)	-38,049.69	
Total	206,650,576.08	

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 Business Overview

I. Principal operations 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. It currently has three major pulp mills in Zhanjiang, Huanggang and Shouguang. It has the largest wood pulp production capacity in China with annual production capacity of more than 4.2 million tonnes. It is the first integrated pulp and paper enterprise in China to be able to produce wood pulp to meet its paper making demand and its pulp production capacity and paper production capacity complement each other perfectly. Leveraging the integrated forestry, pulp and paper project, the Company is the enterprise that offers the widest product range in the paper making industry, and its products include culture paper, white paper board, coated paper, household paper, electrostatic copy paper and thermal paper, with each major product ranking among the best in China 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 150 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 obtained the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification, leading among its industry peers.

III Business Overview

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

(II) General information of the industries where the Company operated

The paper making industry is an important basic raw materials industry which is closely related to the national economy and social development with the characteristic of sustainable development. In recent years, the supply and demand of the paper making industry grew at a steady pace, creating a relatively stable production and sale environment. According to the 2018 Annual Report of China's Paper Industry, in 2018, there were approximately 2,700 companies engaged in the production and paper and paper board in China, with a nationwide paper and paper board production volume of 104,350,000 tonnes; and a consumption volume of 104,390,000 tonnes. The annual consumption per capita was 75 kilograms (1.395 billion persons). From 2009 to 2018, the average annual growth rate of paper and paper board production volume was 2.12% and the average annual growth rate of consumption was 2.22%.

Since the implementation of the "Thirteenth Five Year Plan", the paper making industry has been subject to stricter environmental requirements with elevated government focus on "clear water and green hills". The successive implementation of environmental protection inspections, licensing system for pollutant discharge and others reflected that more stringent environmental protection measures will become a prolonged trend in the industry. Certain provinces and cities promulgated, among others, air pollution prevention programs and major pollutant emission reduction programs, signalling enhanced supervision of local governments over the pollution discharge of paper making companies. Driven by the supply-side reform and under the overlapping effect of stricter environment protection policies, more severe limit on import quota of waste paper and closer inspection, cost pressure will force certain small and medium-sized enterprises to exit the market, thereby further increasing the industry concentration ratio. On the other hand, leading enterprises, with obvious cost advantages and high cost transferability, will enjoy further increase in profitability and gradual growth in market share. In particular, the large leading enterprises having comprehensive environmental facilities with significant economies of scale will become the actual beneficiaries under these environmental protection policies.

In 2018, although the economic operation of China remained within a reasonable range, paper making enterprises experienced the same challenges as most brick-and-mortar enterprises in China did in the complex and changing domestic and international economic situation. From the fourth quarter of 2018 to the first quarter of 2019, affected by the macroeconomic situation, the overall prosperity of the paper making industry had been not high and paper prices fell sharply. However, since the second quarter, the prices of major paper types of the Company had been on the rise. Moreover, guided by market demand, the Company continued to strengthen its research and development and innovation in technology and product. It developed the production of more than 20 highly profitable products including straw paper and cast coating base paper only in the first half year. The overall profitability greatly improved. Furthermore, the forestry, pulp and paper integration strategic layout of the Company has basically completed during the year. The gross profit margin of its products significantly improved, further enhancing the profitability and risk aversion ability of the Company.

III Business Overview

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Equity	During the reporting period, the Company acquired partial equity interest in Nanyue Bank and Goldtrust Futures.
Fixed assets	During the reporting period, Shouguang Headquarters newsprint paper-for-cultural paper project and the Shouguang Meilun 510,000 tonne high-end cultural paper project were transferred from construction in progress to fixed assets.
Financial leasing assets	During the reporting period, the financial leasing company changed its overall operating strategy by continuously reducing the scale of the financial leasing business.

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III. Analysis of liquidity, financial resources and capital structure disclosed in accordance with the listing rules of the Hong Kong Stock Exchange

As at 30 June 2019, the Group's current ratio was 77.56%. The quick ratio was 70.30%. The gearing ratio was 76.25%. The accounts receivable turnover ratio was 601.68% (accounts receivable turnover ratio = turnover/weighted average accounts receivable and net bills*100%). The inventory turnover ratio was 397.02% (Inventory turnover ratio = cost of sales of the products/weighted average net inventory*100%).

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

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

As at 30 June 2019, the total bank borrowings, corporate bonds, short-term commercial paper and medium-term notes and wealth management direct financing instruments of the Group were RMB55,514 million, RMB2,098 million, RMB1,854 million and RMB2,301 million, respectively (aAs at the end of the prior year: the total bank borrowings, corporate bonds, medium-term notes and wealth management direct financing instruments, and short-term commercial paper of the Group were RMB52,261 million, RMB2,098 million, RMB2,298 million and RMB2,817 million, respectively). As at 30 June 2019, the Group had monetary funds of RMB20,728 million (as at the end of the prior year: RMB19,293 million) in total (For the breakdown of monetary funds, please refer to "Section X. VII. 1 Note on Monetary Funds" in this report).

To strengthen our financial management, the Group established and optimised its strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition. As at 30 June 2019, the Group had 14,311 employees. The total staff remuneration for the first half of 2019 amounted to RMB668.0937 million (The Group had 15,191 employees in 2018. The total staff remuneration for 2018 amounted to RMB1,129.1552 million).

III Business Overview

III. Analysis of liquidity, financial resources and capital structure disclosed in accordance with the listing rules of the Hong Kong Stock Exchange (Cont'd)

There will be no major investment project of the Company during the second half of 2019.

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

For details of the assets with restricted ownership of the Group as at 30 June 2019, please refer to Section X. VII. 61. Details of assets with restricted ownership or right to use in this report.

For details of the contingent event required to be disclosed by the Group as at 30 June 2019, please refer to Section X. VII. 33 Provisions.

IV. 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 engaged in pulp production and paper making with synergistic development in finance, mining, forestry, logistics and construction materials. The Company is the first company in the paper making industry having a finance company, as well as the only listed company with A shares, B shares and H shares in China. Compared with other enterprises in the industry, the Company has the following advantages:

1. Advantages of forestry-pulp-paper integration

As the chemical wood pulp projects of Huanggang Chenming and Shouguang Meilun commence production, the Company currently has three major pulp mills in Zhanjiang, Huanggang and Shouguang. It has the largest wood pulp production capacity in China with annual production capacity of more than 4.2 million tonnes. It is the first integrated pulp and paper enterprise in China to be able to produce wood pulp to meet its paper making demand and its pulp production capacity and paper production capacity complement each other perfectly.

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.

III Business Overview

IV. Analysis of Core Competitiveness (Cont'd)

3. Product advantages

Leveraging the integrated forestry, pulp and paper project, the Company has introduced the top world-leading paper making technology and equipment. It is the enterprise that offers the widest product range in the paper making industry, and its products include culture paper, white paper board, coated paper, household paper, electrostatic copy paper and thermal paper, with each major product ranking among the best in China in terms of market share.

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 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.

III Business Overview

IV. Analysis of Core Competitiveness (Cont'd)

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.

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.

IV Discussion and Analysis of Operations

I. Overview

During the reporting period, although the general operation of the Company is in good condition, the Company experienced huge challenges as other paper making enterprises did in the complex and changing domestic and international economic situation. Affected by various factors such as economic downturn, reduced market demand, tight supply and rising prices of raw materials, the paper making industry experienced a decline in economic efficiency, increased difficulties in production and operation, and falling paper prices. Accordingly, the Company achieved net profit of only RMB38.22 million in the first quarter, representing a decrease of 95.12% as compared to the corresponding period of prior year.

Since the second quarter, the market improved significantly. The prices of the major paper types had been on the rise, and the benefits of the paper price rise were obvious. The Shouguang Meilun 510,000 tonne high-ended cultural paper project, the Shouguang Headquarters cultural paper transformation project, the Shouguang Meilun 1,000,000 tonne chemical pulp project, the Huanggang Chenming chemical pulp project and others invested and constructed by the Company were successively put into operation with smooth operation in the second quarter, and gradually began to play their role. The profitability of the Company improved significantly in the second quarter with a quarter-on-quarter increase of 1,157.95%.

In the first half of 2019, the Company completed the production of machine-made paper of 2.15 million tonnes with sales of 2.39 million tonnes and achieved revenue of RMB13,349 million, a year-on-year decrease of 14.16%. The Company recorded operating costs of RMB9,754 million, a year-on-year decrease of 4.93%. Total profit and net profit attributable to equity holders of the Company were RMB662 million and RMB510 million respectively, down by 70.12% and 71.43% from the prior year. The Company's total assets amounted to RMB106,559 million.

At present, the four major pulp and paper projects of the Company have been completed and commenced operation. There is no major project expenditure in the future; and the financial leasing company continued to reduce its business scale, and finance expenses will be effectively controlled. In the second half year, as the four major pulp and paper projects will operate at full capacity and fully realised their benefits, the Company will achieve a balance between the pulp production capacity and paper production capacity. The advantages of its pulp and paper integration will be obvious with significantly higher gross profit margin, thereby effectively enhancing the overall profitability and risk aversion ability of the Company.

During the reporting period, the operating results and future development path of the Company were closely related to the ever improving operating and management systems, which are detailed as follows:

(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 a 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.

IV Discussion and Analysis of Operations

I. Overview (Cont'd)

(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.

(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, facilitating and implementing debt-to-equity swaps, and establishing GDR Fund with professional institutions. 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 Shouguang Meilun 510,000 tonne high-ended cultural paper project, the Shouguang Headquarters cultural paper transformation project, the Shouguang Meilun 1,000,000 tonne chemical pulp project, the Huanggang Chenming chemical pulp project and others invested and constructed by the Company were successively put into operation in the second quarter. 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.

IV Discussion and Analysis of Operations

II. Analysis of principal operations

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

Year-on-year changes in major financial information

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/ decrease year on year	Reason for the change
Revenue	13,348,648,113.70	15,551,334,039.89	-14.16%	Mainly due to the year-on-year decrease in the average selling price of machine-made paper during the reporting period.
Operating costs	9,754,097,799.82	10,259,884,918.86	-4.93%	
Selling and distribution expenses	590,584,957.47	605,463,325.71	-2.46%	
Administrative expenses	562,417,399.25	494,841,668.55	13.66%	Mainly due to the technological transformation of Jilin Chenming during the reporting period.
Research and development expense	431,483,716.06	478,014,854.10	-9.73%	
Finance expenses	1,516,848,723.80	1,498,828,444.69	1.20%	
Income tax expenses	125,877,819.62	434,202,112.50	-71.01%	Mainly due to the year-on-year decrease in the profit of the Company during the reporting period.
Net cash flows from operating activities	2,699,770,891.69	4,745,037,920.91	-43.10%	Mainly due to the year-on-year decrease in the profit of the Company during the reporting period.
Net cash flows from investing activities	-2,094,526,965.30	-470,806,697.24	344.88%	Mainly due to the investment in the equity interest in Nanyue Bank during the reporting period.
Net cash flows from financing activities	-780,976,710.03	-3,577,622,905.43	-78.17%	Mainly due to the reduced financing scale during the reporting period.
Net increase in cash and cash equivalents	-372,495,011.14	726,576,915.27	-151.27%	

Significant change in structure or source of profit of the Company during the reporting period

☐ Applicable ☒ Not applicable

There was no significant change in structure or source of profit of the Company during the reporting period.

IV Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

Composition of principal operations

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	11,561,215,578.29	9,106,155,485.94	21.24%	-12.15%	-3.19%	-7.29%
Financial leasing	947,166,321.20	103,174,600.54	89.11%	-25.52%	-29.30%	0.58%
By products						
White paper board	3,693,719,773.04	3,091,359,060.61	16.31%	5.93%	8.78%	-2.20%
Duplex press paper	3,213,175,197.38	2,461,988,839.69	23.38%	-3.36%	6.82%	-7.30%
Coated paper	1,556,419,430.61	1,237,904,813.04	20.46%	-39.55%	-30.67%	-10.18%
Electrostatic paper	1,121,377,047.63	822,196,602.49	26.68%	-7.30%	17.21%	-15.34%
Anti-sticking raw paper	619,876,429.25	438,249,538.09	29.30%	-9.00%	8.70%	-11.51%
Financial leasing	947,166,321.20	103,174,600.54	89.11%	-25.52%	-29.30%	0.58%
By geographical segment						
Mainland China	11,249,807,122.53	7,852,362,145.60	30.20%	-19.75%	-12.00%	-6.15%
Other countries and regions	2,098,840,991.17	1,901,735,654.22	9.39%	37.02%	40.50%	-2.25%

III. Analysis of non-principal operations

☐ Applicable ☒ Not applicable

IV Discussion and Analysis of Operations

IV. Assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of the reporting period		As at the end of the corresponding period of the prior year		Percentage change	Description of major changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	20,727,891,187.25	19.45%	18,221,475,254.64	17.02%	2.43%	Mainly due to the increase in deposits for the issuance of bills and letters of credit by the Company.
Long-term receivables	5,279,451,578.15	4.95%	9,561,944,402.25	8.93%	-3.98%	Mainly due to the expiry of certain financial leases of the Leasing Company.
Fixed assets	30,774,255,749.34	28.88%	27,822,887,081.68	25.98%	2.90%	During the reporting period, Shouguang Headquarters newsprint paper-for-cultural paper project and the Shouguang Meilun 510,000 tonne high-end cultural paper project were transferred from construction in progress to fixed assets.
Short-term borrowings	44,665,330,086.95	41.92%	34,822,972,619.60	32.52%	9.40%	Mainly due to the increase in liquidity needed for the Company's production.

IV Discussion and Analysis of Operations

IV. Assets and liabilities (Cont'd)

2. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Purchases during the period	Disposal during the period	Closing balance
Financial assets:							
Investment in other equity instruments	103,000,000.00				662,160,000.00		765,160,000.00
Consumable biological assets	1,511,542,610.36	-1,883,064.80			35,994,700.68	12,743,553.04	1,532,910,693.20
Total	1,614,542,610.36	-1,883,064.80			698,154,700.68	12,743,553.04	2,298,070,693.20

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

☐ Yes ☒ No

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

Unit: RMB

Item	Carrying amount as at the end of the period	Reasons for such restriction
Monetary funds	18,718,827,955.87	As deposits for bank acceptance bills, letters of credit and bank borrowings, and deposit reserves
Bills receivable	624,106,580.39	As collateral for short-term borrowings, letters of guarantee and letters of credit
Fixed assets	9,433,004,439.14	As collateral for bank borrowings and long-term payables
Intangible assets	855,039,400.00	As collateral for bank borrowings and long-term payables
Investment property	4,581,606,847.89	As collateral for bank borrowings
Total	34,212,585,223.29	

V. Analysis of Investments

1. Overview

☒ Applicable ☐ Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of the prior year (RMB)	Change
1,890,000,000.00	8,232,854,389.46	-77.04%

IV Discussion and Analysis of Operations

V. Analysis of Investments (Cont'd)

2. Material equity investments during the reporting period

√ Applicable □ Not applicable

Unit: RMB

Name of investees	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the period	Lawsuit is involved or not	Date of disclosure (if any)	Disclosure index (if any)
Huanggang Chenming Pulp & Paper Co., Ltd.	Construction of pulp and relevant product projects	Capital increase	1,000,000,000.00	95.74%	Self-owned funds	Subsidiary	26 September 2008- 26 September 2008	Pulp, cogeneration project, viscose fibre and ancillary chemicals	Completed	-	-27,153,119.29	No	22 January 2019	http://www.cninfo.com.cn
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	Sales of pulp and paper products	Newly established	100,000,000.00	100.00%	Self-owned funds	Wholly-owned subsidiary	29 January 2019 - Long term	Pulp products	Completed	-	4,570,397.48	No	22 January 2019	http://www.cninfo.com.cn
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Equity investment to newly unlisted companies, established investment in private shares of listed companies and relevant consultancy services	Newly established	790,000,000.00	79%	Self-owned funds	Weifang Hengxin Capital Management Co., Ltd., Weifang Financial Holding Group Co., Ltd., Shouguang Jintou Asset Management Co., Ltd. and Chenming (Qingdao) Asset Management Co., Ltd.	7 March 2019- 6 March 2026	Equity, investment, investment consultancy business	Uncompleted	-	-	No	7 March 2019	http://www.cninfo.com.cn
Total	-	-	1,890,000,000.00	-	-	-	-	-	-	-	-22,582,521.81	-	-	-

IV Discussion and Analysis of Operations

V. Analysis of Investments (Cont'd)

3. Material non-equity investments during the reporting period

☒ Applicable ☐ Not applicable

Unit: RMB

Project name	Form of investment	Fixed assets investment or not	Industry in which the investment project operates	Investment amount during the reporting period	Accumulated actual amount invested as of the end of reporting period	Source of fund	Progress	Estimated return	Accumulated realised return as of the end of the reporting period	Reasons for failure in meeting scheduled progress and estimated return	Date of disclosure	Disclosure index
Shouguang Meilun 1 million chemical wood pulp project	Self-constructed	Yes	Pulp production	576,970,728.79	3,655,000,625.94	Self-owned funds and borrowings	95%	Approximately RMB1,000 million of cost is expected to be saved as compared to outsourcing pulp upon completion of construction and production at full capacity	-	Trial production phase	21 March 2014	http://www.cninfo.com.cn
Huanggang Chenming chemical wood pulp project	Self-constructed	Yes	Pulp production	447,209,747.75	4,052,358,826.41	Self-owned funds and borrowings	100%	Expected gain of the project will amount to RMB500 million upon commencement of operation	-	Trial production phase	2 August 2013	http://www.cninfo.com.cn
Haiming Phase II project	Self-constructed	Yes	Mining and smelting	342,679,398.79	1,388,057,233.53	Self-owned funds and borrowings	-	Expected profit and tax of the project will amount to RMB500 million upon completion of construction and production at full capacity	-	Trial production phase	N/A	N/A
Total	-	-	-	1,366,859,875.33	9,095,417,685.88	-	-	-	-	-	-	-

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.

IV Discussion and Analysis of Operations

VI. Disposal of material assets and equity interest

1. Disposal of material assets

☐ Applicable ☒ Not applicable

The Company did not dispose of any material asset during the reporting period.

2. Disposal of material equity interest

☐ Applicable ☒ Not applicable

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

Name of company	Type of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of pulp, duplex press paper, electrostatic paper	5,550,000,000	25,218,587,891.74	8,123,899,177.11	4,679,755,169.61	387,607,008.07	379,174,433.57
Shandong Chenming Financial Leasing Co., Ltd.	Subsidiary	Financial leasing	5,872,000,000.00	19,946,724,862.86	8,983,092,153.58	530,249,891.77	223,214,756.15	210,099,233.76
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper and household paper	3,000,000,000	24,317,770,569.12	4,623,572,789.47	1,648,360,918.66	-145,254,892.49	-76,000,316.17
Shanghai Chenming Industrial Co., Ltd.	Subsidiary	Property lease	3,000,000,000.00	5,821,581,997.99	2,745,633,960.57	55,029,478.03	-104,025,822.46	-104,604,910.07

Acquisition and disposal of subsidiaries during the reporting period

☐ Applicable ☒ Not applicable

VIII. Structured entities controlled by the Company

☐ Applicable ☒ Not applicable

IX. Estimate of the operating results from January to September 2019

Warning of cumulative net profit for the period between the beginning of the year to the end of the next reporting period being projected to be at a loss or expected to have material changes as compared to the corresponding period of prior year and its explanation

☐ Applicable ☒ Not applicable

IV Discussion and Analysis of Operations

X. Risk exposures of the Company 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.

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, the China-US trade war in recent years also had an effect on the exporting of the Company's products.

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.

IV Discussion and Analysis of Operations

X. Risk exposures of the Company and the measures to be taken (Cont'd)

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 remain steadfast in the “forestry-pulp-paper integration” development. With the commencement of production of chemical pulp projects of Huanggang Chenming and Shouguang Meilun, the Company currently has three major pulp mills in Zhanjiang, Huanggang and Shouguang. It has the largest wood pulp production capacity in China with annual production capacity of more than 4.2 million tonnes. The Company is the first integrated pulp and paper enterprise in China to be able to produce wood pulp to meet its paper making demand and its pulp production capacity and paper production capacity complement each other perfectly. The gross profit margin of its products will significantly improve, effectively enhancing the risk aversion ability.

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. Moreover, the financial leasing company has been reducing the scale of the financial leasing business in recent years, adhering to the policy of “recovery only but no financing” The Company proceeds with getting rid of the financial leasing business gradually.

V Material Matters

I. 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 annual general meeting	Annual general meeting	32.20%	11 June 2019	12 June 2018	http://www.cninfo.com.cn

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

☐ Applicable ☒ Not applicable

II. Profit distribution and conversion of capital reserves into share capital during this reporting period

☐ Applicable ☒ Not applicable

The Company does not propose distribution of cash dividends and bonus shares, and increase of share capital from reserves for the interim period.

III. 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

During the reporting period, there was no undertaking 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.

IV. Engagement or dismissal of accounting firms

Has the interim financial report been audited?

☐ Yes ☒ No

The interim financial report is unaudited.

V. Opinions of the Board and the Supervisory Committee regarding the "modified auditor's report" for the reporting period issued by the accountants

☐ Applicable ☒ Not applicable

VI. Opinions of the Board regarding the "modified auditor's report" for the prior year

☐ Applicable ☒ Not applicable

VII. Matters related to bankruptcy and reorganisation

☐ Applicable ☒ Not applicable

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

V Material Matters

VIII. Litigation

Material litigation and arbitration

☐ Applicable ☒ Not applicable

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

Other litigations

☐ Applicable ☒ Not applicable

IX. 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.	Subsidiary	Excessive discharge of water pollutants	Warning issued by the environment authority	Nanchang Ecological Environment Bureau conducted on-site sampling at the main water drain of Jiangxi Chenming. The sample report indicated that the suspended solid concentration of discharge water at the main drain exceeded the limit under the Discharge Standard of Water Pollutants for Pulp and Paper Industry. Jiangxi Chenming conducted rectifications according to the rectification notice and achieved sound results. The event did not constitute a significant violation against laws and regulations, and the corresponding penalty of RMB800,000 will be paid before 31 August 2019.	N/A	N/A

Rectification

☒ Applicable ☐ Not applicable

Since January 2019, Jiangxi Chenming adjusted its water treatment technique, refined dosing operation, increased sludge press quality, and established, among others, monitoring response mechanism for water quantity and water standard at the middle water section which is designed to respond to changes in BTMP ingredient ratio and load. As a result, Jiangxi Chenming proved qualified on all indicators during two spontaneous sampling inspections conducted by Nanchang Ecological Environment Bureau and the environmental monitor station as well as a scheduled sampling inspection conducted by a third party. Based on such results, Nanchang Ecological Environment Bureau determined in June 2019 that the rectification for out-of-limit waste water (SS standard) of Jiangxi Chenming had been completed, and conducted post-inspection withdrawal for the non-compliance.

V Material Matters

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

☐ Applicable ☒ Not applicable

XI. 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.

XII. 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		Amount of Related party transaction (RMB' 0,000)	Percentage as the amount of similar transactions		Whether approved exceeding cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
				Price of related party transactions	Price of related party transactions		(%)	(RMB' 0,000)					
Jiangxi Chenming Natural Gas Co., Ltd. and its subsidiaries	Pursuant to the requirement under Paragraph (3) of Article 10.1.6 of the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange	Procurement of fuel and power from related parties	Procurement of natural gas, heavy oil and diesel etc.	Market price	Market price	11,236.77	1.17%	60,000	No	Bank acceptance and telegraphic transfer	Not applicable	19 July 2019	http://www.cninfo.com.cn
Total			-	-		11,236.77	-	60,000	-	-	-	-	-
Particulars on refund of bulk sale				Not applicable									

V Material Matters

XII. Significant related party transactions (Cont'd)

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

☐ Applicable ☒ Not applicable

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

3. Related party transaction 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.

4. Related creditors' rights and debts transactions

☒ Applicable ☐ Not applicable

Was 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	37,600	16,200	49,280	7%	672.62	4,520
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.

XIII. 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 Material Matters

XIV. 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.

2. Significant guarantees

☒ Applicable ☐ Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB6,126.88 million; subsidiaries provided guarantee to subsidiaries and the guarantee amount incurred was RMB120 million.

As at 30 June 2019, 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 RMB14,266.43 million, representing 58.30% of the equity attributable to shareholders of the Company as at the end of June 2019.

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	No	No
Total external guarantees approved during the reporting period (A1)		0	Total actual external guarantees during the reporting period (A2)					0
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

V Material Matters

XIV. 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 the Company and its subsidiaries						Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term	Fulfilled or not	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14 June 2018	200,000	27 July 2018	228,885	General guarantee	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	1,088,000	2 April 2019	217,661	General guarantee	5 years	No	No
Shandong Chenming Group Finance Co., Ltd.	30 March 2019	500,000			General guarantee	5 years	No	No
Shandong Chenming Paper Sales Co., Ltd.	30 March 2019	600,000	2 April 2019	267,441	General guarantee	5 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000	2 March 2013	13,200	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	13 September 2018	18,000	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 Pulp & Paper Co., Ltd.	26 March 2015	400,000	14 December 2015	74,681	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.	14 June 2018	50,000	10 July 2018	17,800	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2019	350,000	1 April 2019	62,109	General guarantee	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	19 January 2018	67,359	General guarantee	10 years	No	No
Shouguang Meilun Paper Co., Ltd.	30 March 2019	100,000			General guarantee	5 years	No	No
Chenming (HK) Limited	14 June 2018	250,000	8 August 2018	288,888	General guarantee	3 years	No	No
Chenming (HK) Limited	30 March 2019	500,000	1 April 2019	131,918	General guarantee	5 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	30 March 2019	50,000			General guarantee	5 years	No	No
Jilin Chenming Paper Co., Ltd.	30 March 2019	150,000	5 April 2019	13,201	General guarantee	5 years	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	30 March 2019	10,000			General guarantee	5 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
Shanghai Sales Co., Ltd.	30 March 2019	300,000			General guarantee	5 years	No	No
Haicheng Haiming Mining Company Limited	30 March 2019	100,000			General guarantee	5 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		3,748,000	Total amount of guarantee provided for subsidiaries during the reporting period (B2)					612,688
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		8,211,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					1,401,143

V Material Matters

XIV. 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 2019	200,000			General guarantee	5 years	No	No
Chenming (HK) Limited	30 March 2019	100,000			General guarantee	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 June 2019	12,000	27 June 2019	12,000	General guarantee	1 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		312,000	Total amount of guarantee provided for subsidiaries during the reporting period (C2)					12,000
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		312,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)					12,000
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)		4,060,000	Total amount of guarantee during the reporting period (A2+B2+C2)					624,688
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		8,540,500	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)					1,426,643
The percentage of total amount of guarantee provided (i.e. 4+B4+C4) to the net assets attributable to the Company								58.30%
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)								755,606
Total amount of guarantee provided in excess of 50% of net assets (F)								161,166
Sum of the above three amount of guarantee (D+E+F)								916,772

(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.

V Material Matters

XIV. Material contracts and implementation (Cont'd)

3. 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 valuer	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., China Delixi Holding Group Co., Ltd., Shandong Hexin Chemical Group Co., Ltd., Chitai Chenli Paper Co., Ltd., Foshan Nanhai Quanhui Metal Materials Trading Co., Ltd.	Part of equity in Guangdong Nanyue Bank Co., Ltd.	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

V Material Matters

XV. Fulfilment of Social Responsibility

1. Major 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	4,126.30t	7,666.64t	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	Power plant: 4.88mg/m ³ Alkali recovery: 2.62mg/m ³	Power plant: 35mg/m ³ Alkali recovery: 200mg/m ³	8.87t	247.16t	No
	Nitrogen oxide	Organised emission	3	Within Chenming Industrial Park	Power plant: 42.1mg/m ³ Alkali recovery: 127.3mg/m ³	Power plant: 100 mg/m ³ Alkali recovery: 300mg/m ³	172.5t	1,059.41t	No
	Smoke	Organised emission	3	Within Chenming Industrial Park	Power plant: 0.80mg/m ³ Alkali recovery: 9.35mg/m ³	Power plant: 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	1,163.24t	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 furnace: 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
Jiangxi Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	42.75mg/L	90mg/L	279.18t	1,260t	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/m ³	180.81t	806t	No
	Nitrogen oxide	Organised emission	2	Within factory area	102.41mg/m ³	200 mg/m ³	303.37t	806t	No
	Smoke	Organised emission	2	Within factory area	11.05mg/m ³	30mg/m ³	38.09t	135t	No

V Material Matters

XV. Fulfilment of Social Responsibility (Cont'd)

1. Major 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
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	1,943t	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 Power plant 1#: 4.66mg/m³ Power plant 2#: 2.93mg/m³ Power plant 3#: 5.77mg/m³ Power plant 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
	Nitrogen oxide	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln: 231.5mg/m³ Alkali recovery: 198.6mg/m³ Power plant 1#: 21.55mg/m³ Power plant 2#: 20.09mg/m³ Power plant 3#: 17.75mg/m³ Power plant 4#: 28.35mg/m³	Lime kiln: 300mg/m³ Alkali recovery: 200mg/m³ 1#, 2#, 3# circulating fluidised bed boilers: 100mg/m³ 4# circulating fluidised bed boilers: 50mg/m³	1634.36t	2,169.70t	No
	Smoke	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln: Smoke 14.2mg/m³ Alkali recovery: 15.30mg/m³ Power plant 1#: 14.12mg/m³ Power plant 2#: 4.41mg/m³ Power plant 3#: 7.52mg/m³ Power plant 4#: 9.75mg/m³	Lime kiln: 80mg/m³ Alkali recovery, 1#, 2#, 3# circulating fluidised bed boilers: 30mg/m³ 4# circulating fluidised bed boilers: 10mg/m³	190.87t	196t	No

XV. Fulfilment of Social Responsibility (Cont'd)

1. Major 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.

XV. Fulfilment of Social Responsibility (Cont'd)

1. Major 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.

2. Fulfilment of social responsibility regarding targeted poverty relief

The Company did not commence any work regarding targeted poverty relief in the first half of the year and had no follow-up targeted poverty relief plan.

V Material Matters

XVI. Other matters of significance

√ Applicable ☐ Not applicable

1. Issue of medium-term notes with an amount of RMB600 million

The public issue of the 2018 second tranche of medium-term notes in the national inter-bank bond market was launched by the Company on 27 December 2018. The amount of the issue was RMB600 million with a nominal value of RMB100 each at the interest rate of 7.50%.

For details, please refer to relevant announcement (announcement no.: 2019-001) of the Company published on CNINFO on 2 January 2019.

2. Distribution of fixed dividend of Chenming You 01

The dividend was accrued from 17 March 2018 on the basis of the 22.5 million preference shares issued with a nominal value of RMB100 per share. As calculated according to the dividend rate of 4.36%, a dividend of RMB4.36 (tax inclusive) per preference share was distributed. The Company distributed dividend amounting to RMB98.10 million in total (tax inclusive).

For details, please refer to relevant announcement (announcement no.: 2019-014) of the Company published on CNINFO on 11 March 2019.

3. 2018 profit distribution plan for ordinary shares

On 11 June 2019, the Company convened the 2018 annual general meeting, at which, the 2018 profit distribution plan was considered and approved: based on the number of the shares as at the dividend distribution registration date of 2,904,608,200 shares, a cash dividend of RMB2.40 (tax inclusive) was to be paid to all shareholders for every 10 shares held, and no capitalisation issue will be made out of the capital reserves. The total cash dividend distributed to the holders of ordinary shares amounted to RMB697,105,968 (tax inclusive) in 2018.

For details, please refer to relevant announcement (announcement no.: 2019-055) of the Company published on CNINFO on 12 June 2019.

4. Re-elections of the Company

The 37th extraordinary meeting of eighth session of the Board and the 13th extraordinary meeting of the eighth session of the Supervisory Committee held on 20 May 2019 considered and passed the resolution in relation to the re-election of the Board and the resolution in relation to the re-election of the Supervisory Committee. The above resolutions in relation to the re-elections were considered and approved at the annual general meeting convened on 11 June 2019. The new session of the Board and the new session of the Supervisory Committee will serve for a term of three years.

On 11 June 2019, the ninth session of the Board considered and passed the resolution in relation to the election of the chairman, vice chairman, general manager, secretary to the Board and the senior management of the Company. The ninth session of the Supervisory Committee considered and passed the resolution in relation to the election of the chairman of the Supervisory Committee.

For details, please refer to relevant announcements (announcement no.: 2019-039, 2019-040, 2019-055, 2019-056 and 2019-057) of the Company published on CNINFO on 21 May and 12 June 2019.

V Material Matters

XVI. Other matters of significance (Cont'd)

5. Information disclosure index for the first half of 2018

Announcement no.	Subject matter	Date of publication	Publication website and index
2019-001	Announcement on Result of the Issue of 2018 Second Tranche of Medium-term Notes	3 January 2019	http://www.cninfo.com.cn
2019-002	Announcement on the Receipt of the Decision on the Administrative Supervision Measures of the Shandong Securities Regulatory Commission of the China Securities Regulatory Commission	7 January 2019	http://www.cninfo.com.cn
2019-003	Announcement on the Acquisition of Mining License by Haiming Mining, a Subsidiary of the Company	7 January 2019	http://www.cninfo.com.cn
2019-004	Announcement on Signing Strategic Cooperation Agreement with Great Wall Glory Securities	17 January 2019	http://www.cninfo.com.cn
2019-005	Announcement in respect of Resolutions of the Thirty-fifth Extraordinary Meeting of the Eighth Session of the Board of Directors	22 January 2019	http://www.cninfo.com.cn
2019-006	Announcement on External Investment (I)	22 January 2019	http://www.cninfo.com.cn
2019-007	Announcement on Huanggang Chenming's Application for Bank Loan and Provision of Guarantee and Asset Pledge	22 January 2019	http://www.cninfo.com.cn
2019-008	Announcement on External Investment (II)	22 January 2019	http://www.cninfo.com.cn
2019-009	Announcement on Result of the Issue of 2019 First Tranche of Super & Short-term Commercial Paper	22 January 2019	http://www.cninfo.com.cn
2019-010	Announcement in respect of Resolutions of the Thirty-Sixth Extraordinary Meeting of the Eighth Session of the Board of Directors	7 March 2019	http://www.cninfo.com.cn
2019-011	Announcement on Cooperation on the Initiation of the Establishment of Weifang Chenming Growth Driver Replacement Equity Investment Fund	7 March 2019	http://www.cninfo.com.cn
2019-012	Announcement on the Progress of Initiation of the Establishment of Weifang Chenming Growth Driver Replacement Equity Investment Fund	11 March 2019	http://www.cninfo.com.cn
2019-013	Announcement on the Progress of Intended Increase in Shareholding by the Company's Largest Shareholder	11 March 2019	http://www.cninfo.com.cn
2019-014	Announcement on the Distribution of Dividend of Preference Share	12 March 2019	http://www.cninfo.com.cn
2019-015	Announcement on Resignation of Senior Management	16 March 2019	http://www.cninfo.com.cn
2019-016	Announcement on Obtaining High-tech Enterprise Certificates by the Company and its wholly-owned subsidiaries	19 March 2019	http://www.cninfo.com.cn
2019-017	Announcement on Pledge of Shares held by Shareholders and the Release of Pledge of Part of the Shares	19 March 2019	http://www.cninfo.com.cn

V Material Matters

XVI. Other matters of significance (Cont'd)

5. Information disclosure index for the first half of 2018 (Cont'd)

Announcement no.	Subject matter	Date of publication	Publication website and index
2019-018	Announcement on payment of 2019 interest with respect to the first tranche of corporate bonds publicly issued to qualified investors in 2018	26 March 2019	http://www.cninfo.com.cn
2019-019	Announcement on Pledge of Shares held by Shareholders and the Release of Pledge of Part of the Shares	26 March 2019	http://www.cninfo.com.cn
2019-020	Announcement in respect of Resolutions of the Twelfth Meeting of the Eighth Session of the Board of Directors	30 March 2019	http://www.cninfo.com.cn
2019-021	2018 Annual Report Summary	30 March 2019	http://www.cninfo.com.cn
2019-022	Announcement in respect of Resolutions of the Thirteenth Meeting of the Eighth Session of the Supervisory Committee	30 March 2019	http://www.cninfo.com.cn
2019-023	Announcement on Provision of Guarantees for General Facilities of Relevant Subsidiaries by the Company	30 March 2019	http://www.cninfo.com.cn
2019-024	Announcement on correction of previous accounting errors and retrospective restatement	30 March 2019	http://www.cninfo.com.cn
2019-025	Announcement on the Appointment of the Auditors for 2019	30 March 2019	http://www.cninfo.com.cn
2019-026	Announcement on the Commencement of Financial Leasing Business	30 March 2019	http://www.cninfo.com.cn
2019-027	Notice of 2018 Annual General Meeting	30 March 2019	http://www.cninfo.com.cn
2019-028	Announcement on Result of the Issue of 2019 Third Tranche of Super & Short-term Commercial Paper	30 March 2019	http://www.cninfo.com.cn
2019-029	Announcement on Receipt of Government Subsidy by Wholly-owned Subsidiaries of the Company	2 April 2019	http://www.cninfo.com.cn
2019-030	Announcement on Pledge of Shares held by Shareholders	11 April 2019	http://www.cninfo.com.cn
2019-031	Announcement on Estimated Results for First Quarter of 2019	15 April 2019	http://www.cninfo.com.cn
2019-032	Announcement on Release of Pledge of Shares held by Shareholders	19 April 2019	http://www.cninfo.com.cn
2019-033	Announcement in respect of Resolutions of the Thirteenth Meeting of the Eighth Session of the Board of Directors	30 April 2019	http://www.cninfo.com.cn
2019-034	2019 First Quarterly Report	30 April 2019	http://www.cninfo.com.cn
2019-035	Announcement on the Commencement of Financial Leasing Business of Subsidiary	30 April 2019	http://www.cninfo.com.cn
2019-036	Announcement on Receipt of Government Subsidy by Subsidiaries of the Company	6 May 2019	http://www.cninfo.com.cn
2019-037	Announcement on Result of the Issue of 2019 Fourth Tranche of Super & Short-term Commercial Paper	6 May 2019	http://www.cninfo.com.cn

V Material Matters

XVI. Other matters of significance (Cont'd)

5. Information disclosure index for the first half of 2018 (Cont'd)

Announcement no.	Subject matter	Date of publication	Publication website and index
2019-038	Announcement on Progress of external investment and Operation Commencement of Shouguang Meilun chemical pulp project	13 May 2019	http://www.cninfo.com.cn
2019-039	Announcement in Respect of Resolutions of the Thirty-Seven Extraordinary Meeting of the Eighth Session of the Board of Directors	21 May 2019	http://www.cninfo.com.cn
2019-040	Announcement in respect of Resolutions of the Thirteenth Meeting of the Eighth Session of the Supervisory Committee	21 May 2019	http://www.cninfo.com.cn
2019-041	Declaration by Candidate for Independent Director (Sun Jianfei)	21 May 2019	http://www.cninfo.com.cn
2019-042	Declaration by Candidate for Independent Director (Yang Biao)	21 May 2019	http://www.cninfo.com.cn
2019-043	Declaration by Candidate for Independent Director (Yin Meiqun)	21 May 2019	http://www.cninfo.com.cn
2019-044	Declaration by Nominator of Independent Director	21 May 2019	http://www.cninfo.com.cn
2019-045	Announcement on the Issue of Commercial Mortgage Backed Securities Backed by an Office Property of a Subsidiary	21 May 2019	http://www.cninfo.com.cn
2019-046	Announcement on the Commencement of Equipment Financing Business of Subsidiaries	21 May 2019	http://www.cninfo.com.cn
2019-047	Announcement on Additional Resolutions Proposed at the 2018 Annual General Meeting	21 May 2019	http://www.cninfo.com.cn
2019-048	Supplementary Notice of 2018 Annual General Meeting	21 May 2019	http://www.cninfo.com.cn
2019-049	Second Supplementary Notice of 2018 Annual General Meeting	24 May 2019	http://www.cninfo.com.cn
2019-050	Announcement on Supplemental Pledge of Shares held by Shareholders and Business Continuation	25 May 2019	http://www.cninfo.com.cn
2019-051	Announcement on Result of the Issue of 2019 Fifth Tranche of Super & Short-term Commercial Paper	28 May 2019	http://www.cninfo.com.cn
2019-052	Announcement on Intended Increase in Shareholding by the Directors, Supervisors and Senior Management	29 May 2019	http://www.cninfo.com.cn
2019-053	Announcement on Release of Pledge of Shares and Supplemental Pledge of Shares held by Shareholders	30 May 2019	http://www.cninfo.com.cn
2019-054	Announcement on Intended Increase in Shareholding by the Chairman of the Company	7 June 2019	http://www.cninfo.com.cn
2019-055	Poll Results Announcement of the 2018 Annual General Meeting	12 June 2019	http://www.cninfo.com.cn
2019-056	Announcement on Resolutions of the First Meeting of the Ninth Session of the Board of Directors	12 June 2019	http://www.cninfo.com.cn

V Material Matters

XVI. Other matters of significance (Cont'd)

5. Information disclosure index for the first half of 2018 (Cont'd)

Announcement no.	Subject matter	Date of publication	Publication website and index
2019-057	Announcement on Resolutions of the First Meeting of the Ninth Session of the Supervisory Committee	12 June 2019	http://www.cninfo.com.cn
2019-058	Announcement on the Re-election of Employee Representative Supervisor	12 June 2019	http://www.cninfo.com.cn
2019-059	Announcement on Pledge of Shares held by Shareholders	21 June 2019	http://www.cninfo.com.cn
2019-060	Announcement on Progress of the acquisition of 45% of equity interest in Goldtrust Futures	26 June 2019	http://www.cninfo.com.cn
2019-061	Announcement in respect of Guarantee in Favour of Subsidiaries for their Bank Loans by the Wholly-owned Subsidiaries of the Company	27 June 2019	http://www.cninfo.com.cn

XVII. Matters of significant of subsidiaries of the Company

√ Applicable ☐ Not applicable

1. Establishment of Shanghai Chenming Pulp & Paper Sales Co., Ltd. through External Investment

In order to make full use of the advantages of Shanghai as a financial centre, expand and enhance the Shanghai platform, put great efforts in market development, and enhance the Company's overall strength and comprehensive competitiveness, the company intended to set up Shanghai Sales Co., Ltd. in Hongkou District, Shanghai.

For details, please refer to relevant announcement (announcement no.: 2019-008) of the Company published on CNINFO on 21 January 2019.

2. Capital Increase in Huanggang Chenming Pulp & Paper Co., Ltd.

In order to meet the needs of Huanggang Chenming's production and operation, optimise the capital structure, and enhance the overall strength and comprehensive competitiveness of Huanggang Chenming, the Company intended to increase the capital of Huanggang Chenming with its own funds, with an increase of RMB1 billion, which can be made by instalments according to actual needs.

For details, please refer to relevant announcement (announcement no.: 2019-006) of the Company published on CNINFO on 21 January 2019.

V Material Matters

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

3. Operation Commencement of Shouguang Meilun Chemical Pulp Project

The proposal on the construction of a bleached sulfate chemical wood pulp in Shouguang of Shouguang Meilun, a wholly-owned subsidiary of the Company, was considered and approved at the 2013 annual general meeting of the Company. During the process of project construction, given the high dependence of China's wood pulp imports and the impact of waste paper import policies, waste paper prices in the domestic market rose sharply, which led to the increase in wood pulp prices. In order to solve the problem of raw materials of the Company, make full use of the cost advantage of self-made pulp and improve economic efficiency, the Company adjusted the annual production of 400,000 tonnes of bleached sulfate chemical wood pulp to annual production of 1 million tonnes of bleached sulfate chemical wood pulp and put it into production smoothly.

For details, please refer to relevant announcement (announcement no.: 2019-038) of the Company published on CNINFO on 13 May 2019.

VI Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amounts	Percentage	New issue	Bonus issue	Shares converted from reserves	Others	Subtotal	Amounts	Percentage
I. Restricted shares	11,968,581	0.41%				1,494,400	1,494,400	13,462,981	0.46%
1. Shares held by other domestic investors	11,968,581	0.41%				1,494,400	1,494,400	13,462,981	0.46%
Of which: Shares held by domestic natural persons	11,968,581	0.41%				1,494,400	1,494,400	13,462,981	0.46%
II. Non-restricted shares	2,892,639,619	99.59%				-1,494,400	-1,494,400	2,891,145,219	99.54%
1. RMB ordinary shares	1,658,018,403	57.08%				-1,494,400	-1,494,400	1,656,524,003	57.03%
2. Domestic listed foreign share	706,315,966	24.32%				0	0	706,315,966	24.32%
3. Overseas listed foreign shares	528,305,250	18.19%				0	0	528,305,250	18.19%
III. Total number of shares	2,904,608,200	100.00%				0	0	2,904,608,200	100.00%

The reasons for such changes

☒ Applicable ☐ Not applicable

Before and after the change, the number of restricted shares held by domestic natural persons increased by 1,494,400 shares from 11,968,581 shares to 13,582,231 shares, due to the fact that: 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, 1,494,400 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

Transfer of shares arising from changes in shareholding

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

VI 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	7,608,333	0	701,700	8,310,033	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Hu Changqing	1,393	0	30,750	32,143	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Chen Gang	0	0	104,775	104,775	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Li Weixian	3,600	0	57,300	60,900	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Li Xueqin	483,016	0	162,975	645,991	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Geng Guanglin	492,112	0	45,600	537,712	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Li Feng	530,795	0	148,725	679,520	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Li Zhenzhong	0	0	84,750	84,750	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Li Dong	11,250	0	45,000	56,250	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Yuan Xikun	0	0	33,525	33,525	Locked-up shares held by senior management	Under relevant requirements for management of shares held by senior management
Sun Yinghua	0	0	73,800	73,800	Resignation	11 December 2019
Yang Hongqin	0	0	5,500	5,500	Resignation	11 December 2019
Total	9,130,499	0	1,494,400	10,624,899	—	—

II. Issuance and listing of securities

☐ Applicable ☒ Not applicable

VI Changes in Share Capital and Shareholders

III. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period	130,823, of which 110,298 were holders of A shares, 20,157 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, if any (see Note 8)	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 ordinary shares held at the end of the reporting period	Changes (increase or decrease) during the Reporting period	Number of restricted ordinary shares held	Number of non-restrict ordinary shares held	Share pledged or locked-up	
							Status of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.33%	445,396,128	1250000	0	445,396,128	Pledged	333,499,836
HKSCC NOMINEES LIMITED	Overseas legal person	12.84%	373,067,625	-220250	0	373,067,625		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.54%	364,131,563	0	0	364,131,563		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	60,206,850	0	0	60,206,850		
AGRICULTURAL BANK OF CHINA LIMITED – CHINA CSI 500 ETF	Others	0.55%	15,982,750	1,816,300	0	15,982,750		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	12,912,357	0	0	12,912,357		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.39%	11,351,620	354,212	0	11,351,620		
Chen Hongguo	Domestic nature person	0.38%	11,080,044	935,600	0	2,770,011		
Chen Suiqiang	Domestic nature person	0.37%	10,800,200	899,050	0	10,800,200		
Jin Xing	Domestic nature person	0.37%	10,610,329	-1,114,421	0	10,610,329		
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. A shareholder, Chen Hongguo, is the legal representative, chairman and general manager of Chenming Holdings Company Limited. 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.							

VI Changes in Share Capital and Shareholders

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

Shareholdings of the top ten shareholders of non-restricted ordinary shares			
Name of shareholders	Number of non-restricted ordinary shares held as at the end of the reporting period	Class of shares	Number
		Class of shares	
CHENMING HOLDINGS COMPANY LIMITED	445,396,128	RMB ordinary shares	445,396,128
HKSCC NOMINEES LIMITED	373,067,625	Overseas listed foreign shares	373,067,625
CHENMING HOLDINGS (HONG KONG) LIMITED	364,131,563	Domestic 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
AGRICULTURAL BANK OF CHINA LIMITED – CSI500 INDEX OPEN-ENDED FUND	15,982,750	RMB ordinary shares	15,982,750
VANGUARD EMERGING MARKETS STOCK INDEX FUND	12,912,357	Domestic listed foreign shares	12,912,357
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	11,351,620	Domestic listed foreign shares	11,351,620
Chen Suiqiang	10,800,200	RMB ordinary shares	10,800,200
Jin Xing	10,610,329	Domestic listed foreign shares	10,610,329
LSV EMERGING MARKETS EQUITY FUND, L.P.	9,154,200	Domestic listed foreign shares	9,154,200

Related party relationship or acting in concert among the top ten ordinary shareholders of non-restricted ordinary shares, and between the top ten shareholders of non-restricted ordinary shares and the top ten ordinary 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

Chenming Holdings Company Limited held 445,396,128 RMB ordinary shares, of which 402,196,128 shares were held through ordinary account and 43,200,000 shares were held through credit guarantee security account.

VI Changes in Share Capital and Shareholders

III. 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.

IV. Change of controlling shareholders or beneficial controllers

The change of controlling shareholders during the reporting period

☐ Applicable ☒ Not Applicable

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

Change of beneficial owner during the reporting period

☐ Applicable ☒ Not Applicable

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

VII Preference Shares

√ Applicable ☐ Not applicable

I. Issue and listing of preference shares during the reporting period

☐ Applicable ☒ Not Applicable

There was no issue and listing of preference shares during the reporting period.

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

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	Preference shareholding	Number of preference shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	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	0	Pledged	12,500,000
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000	0		
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000	0		
QILU BANK CO., LTD. – QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	13.33%	6,000,000	0		
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	11.11%	5,000,000	0		
SHANGHAI STATE-OWNED ASSETS OPERATION CO., LTD.	State-owned legal person	6.67%	3,000,000	0		
NCF – MINSHENG BANK – CHINA FORTUNE INTERNATIONAL TRUST – CHINA FORTUNE TRUST • MIN XIN NO. 11 SINGLE CAPITAL TRUST	Others	4.44%	2,000,000	0		

Related party relationship or acting in concert 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 whether the remaining holders of preference shares are persons acting in concert. It is also not aware that the top ten holders of preference shares and the top ten holders of ordinary shares are related to each other.

VII Preference Shares

III. Repurchase or conversion

☐ Applicable ☒ Not applicable

There was no repurchase or conversion during the reporting period.

IV. Resumption and exercise of voting rights

☐ Applicable ☒ Not applicable

There was no resumption and exercise of voting rights conferred by preference shares during the reporting period.

V. 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.

VIII Directors, Supervisors and Senior Management

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

√ Applicable □ Not applicable

Name	Position	Status	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)	Shares held as at the end of the period (shares)	Restricted shares granted at the beginning of the period (shares)	Restricted shares granted during the period (shares)	Restricted shares granted at the end of the period (shares)
Chen Hongguo	Chairman	In office	10,144,444	935,600	0	11,080,044	0	0	0
Hu Changqing	Vice Chairman	In office	1,857	41,000	0	42,857	0	0	0
Li Xingchun	Vice Chairman	In office	0	0	0	0	0	0	0
Chen Gang	Director and deputy general manager	In office	0	139,700	0	139,700	0	0	0
Han Tingde	Director	In office	0	0	0	0	0	0	0
Li Chuanxuan	Director	In office	0	0	0	0	0	0	0
Sun Jianfei	Independent Director	In office	0	0	0	0	0	0	0
Yang Biao	Independent Director	In office	0	0	0	0	0	0	0
Yin Meiqun	Independent Director	In office	0	0	0	0	0	0	0
Li Dong	Chairman of Supervisory Committee	In office	15,000	60,000	0	75,000	0	0	0
Pan Ailing	Supervisor	In office	0	0	0	0	0	0	0
Zhang Hong	Supervisor	In office	0	0	0	0	0	0	0
Li Xinggui	Employee representative supervisor	In office	0	0	0	0	0	0	0
Qiu Lanju	Employee representative supervisor	In office	0	0	0	0	0	0	0
Li Weixian	General manager	In office	4,800	235,400	0	240,200	0	0	0
Geng Guanglin	Deputy general manager	In office	656,150	60,800	0	716,950	0	0	0
Li Xueqin	Deputy general manager	In office	644,022	217,300	0	861,322	0	0	0
Li Feng	Deputy general manager	In office	707,727	198,300	0	906,027	0	0	0
Li Zhenzhong	Deputy general manager	In office	0	113,000	0	113,000	0	0	0
Zhao Xuegang	Deputy general manager	In office	0	0	0	0	0	0	0
Dong Lianming	Financial controller	In office	0	69,600	0	69,600	0	0	0

VIII Directors, Supervisors and Senior Management

I. Changes in shareholding of Directors, Supervisors and Senior Management (Cont'd)

Name	Position	Status	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)	Shares held as at the end of the period (shares)	Restricted shares granted at the beginning of the period (shares)	Restricted shares granted during the period (shares)	Restricted shares granted at the end of the period (shares)
Yuan Xikun	Secretary to the Board	In office	0	44,700	0	44,700	0	0	0
Zhu Hanliang	Company secretary	In office	0	0	0	0	0	0	0
Sun Yinghau	Employee representative supervisor	Resigned	0	73,800	0	73,800	0	0	0
Yang Guihua	Director	Resigned	0	0	0	0	0	0	0
Wang Fengrong	Independent Director	Resigned	0	0	0	0	0	0	0
Huang Lei	Independent Director	Resigned	0	0	0	0	0	0	0
Liang Fu	Independent Director	Resigned	0	0	0	0	0	0	0
Zhang Xiaofeng	Supervisor	Resigned	0	0	0	0	0	0	0
Zhang Qingzhi	Deputy general manager	Resigned	0	0	0	0	0	0	0
Yang Weiming	Deputy general manager	Resigned	0	0	0	0	0	0	0
Poon Shiu Cheong	Company secretary and qualified accountant	Resigned	0	0	0	0	0	0	0
Total	-	-	12,174,000	2,189,200	0	14,363,200	0	0	0

VIII Directors, Supervisors and Senior Management

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

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Chen Hongguo	Chairman	Elected	11 June 2019	Elected as a director and the chairman of the ninth session of the Board at the 2018 annual general meeting and the first meeting of the ninth session of the Board, respectively.
Hu Changqing	Vice chairman	Elected	11 June 2019	Elected as a director and a vice chairman of the ninth session of the Board at the 2018 annual general meeting and the first meeting of the ninth session of the Board, respectively.
Li Xingchun	Vice chairman	Elected	11 June 2019	Elected as a director and a vice chairman of the ninth session of the Board at the 2018 annual general meeting and the first meeting of the ninth session of the Board, respectively.
Chen Gang	Director and vice general manager	Elected and appointed	11 June 2019	Elected as a director of the ninth session of the Board at the 2018 annual general meeting and appointed as the deputy general manager at the first meeting of the ninth session of the Board.
Han Tingde	Director	Elected	11 June 2019	Elected as a director of the ninth session of the Board at the 2018 annual general meeting.
Li Chuanxuan	Director	Elected	11 June 2019	Elected as a director of the ninth session of the Board at the 2018 annual general meeting.
Sun Jianfei	Independent Director	Elected	11 June 2019	Elected as an independent director of the ninth session of the Board at the 2018 annual general meeting.
Yang Biao	Independent Director	Elected	11 June 2019	Elected as an independent director of the ninth session of the Board at the 2018 annual general meeting.
Yin Meiqun	Independent Director	Elected	11 June 2019	Elected as an independent director of the ninth session of the Board at the 2018 annual general meeting and appointed as the chairman of Supervisory Committee of the first meeting of the ninth session of the Supervisory Committee.
Li Dong	Chairman of Supervisory Committee	Elected	11 June 2019	Elected as a supervisor of the ninth session of the Supervisory Committee at the 2018 annual general meeting.
Pan Ailing	Supervisor	Elected	11 June 2019	Elected as a supervisor of the ninth session of the Supervisory Committee at the 2018 annual general meeting.

VIII Directors, Supervisors and Senior Management

II. Changes of Directors, Supervisors and Senior Management of the Company (Cont'd)

Name	Position	Type	Date	Reason
Zhang Hong	Supervisor	Elected	11 June 2019	Elected as a supervisor of the ninth session of the Supervisory Committee at the 2018 annual general meeting.
Li Xinggui	Employee representative supervisor	Elected	11 June 2019	Elected as an employee representative supervisor at the tenth meeting of the ninth session of the employee representative meeting.
Qiu Lanju	Employee representative supervisor	Elected	11 June 2019	Elected as an employee representative supervisor at the tenth meeting of the ninth session of the employee representative meeting.
Li Weixian	General manager	Appointed	11 June 2019	Elected as the general manager at the first meeting of the ninth session of the Board.
Li Xueqin	Vice general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Geng Guanglin	Vice general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Li Feng	Vice general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Li Zhenzhong	Vice general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Zhao Xuegang	Vice general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Dong Lianming	Financial controller	Appointed	11 June 2019	Elected as the financial controller at the first meeting of the ninth session of the Board.
Yuan Xikun	Secretary to the Board	Appointed	11 June 2019	Elected as the secretary to the Board at the first meeting of the ninth session of the Board.
Chu Hon Leung	Hong Kong Company secretary	Appointed	11 June 2019	Elected as the company secretary (Hong Kong) at the first meeting of the ninth session of the Board.
Geng Guanglin	Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board

VIII Directors, Supervisors and Senior Management

II. Changes of Directors, Supervisors and Senior Management of the Company (Cont'd)

Name	Position	Type	Date	Reason
Li Feng	Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Zhang Hong	Director	Expiry of term of office	11 June 2019	Elected as a supervisor subsequent to the vacation of office upon expiry of the term of the eighth session of the Board
Yang Guihua	Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Wang Fengrong	Independent Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Huang Lei	Independent Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Liang Fu	Independent Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Pan Ailing	Independent Director	Expiry of term of office	11 June 2019	Elected as a supervisor subsequent to the vacation of office upon expiry of the term of the eighth session of the Board
Sun Yinghua	Employee representative supervisor	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Supervisory Committee
Zhang Xiaofeng	Supervisor	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Supervisory Committee
Zhang Qingzhi	Vice general manager	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Yang Weiming	Vice general manager	Dismissal	15 March 2019	Resignation from the position due to personal reasons
Poon Shiu Cheong	Company secretary and qualified accountant	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board

IX 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 the interim 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 (tranche 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 (tranche 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	There was no interest payment during the reporting period.						
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.						

IX 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.

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 period (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. remained at 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 (2019) was published on CNINFO on 29 May 2019.

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 remained at AA+ (stable outlook). The 2017 public issuance of the corporate bonds (tranche I) updated rating report (2019) was published on CNINFO on 29 May 2019.

IX Corporate Bonds

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.

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 as at the end of the reporting period and last year (or for the reporting period and the corresponding period last year)

Item	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Gearing ratio	76.25%	75.43%	0.82%
Current ratio	77.56%	78.10%	-0.54%
Quick ratio	70.30%	69.54%	0.76%

Item	The reporting period	The corresponding period of the prior year	Increase/decrease of the reporting period as compared to corresponding period of the prior year
EBITDA interest coverage ratio	1.64	2.70	-39.26%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

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

☒ Applicable ☐ Not applicable

EBITDA interest coverage ratio recorded a decrease of 39.26%, which was mainly due to the year-on-year decrease of profit during the reporting period.

IX Corporate Bonds

IX. Overdue liabilities

☐ Applicable ☒ Not applicable

The Company did not have any liabilities overdue.

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

Unit: RMB

Item	Amount of interest payment
Corporate bonds	65,520,000.00
Privately placed bonds	152,000,000.00
Super & short-term commercial papers	2,954,844,931.51
Total	3,172,364,931.51

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

During the reporting period, the Company obtained bank credit of RMB82.706 billion, of which RMB52.735 billion was utilised with RMB29.971 billion outstanding. The Company repaid bank loans of RMB18.767 billion.

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

Nil

XIII. Matters of significance during the reporting period

Nil

XIV. Is there any guarantor for corporate bonds?

☐ Yes ☒ No

X Financial Report

I. Auditors' Report

Is the interim report audited

☐ Yes ☒ No

The interim financial report is unaudited.

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

30 June 2019

Unit: RMB

Item	30 June 2019	31 December 2018
CURRENT ASSETS:		
Monetary funds	20,727,891,187.25	19,292,774,747.79
Bills receivable	750,842,498.89	1,213,116,491.46
Accounts receivable	3,505,805,716.79	3,404,487,004.59
Prepayments	512,812,462.07	863,739,020.74
Other receivables	1,610,458,353.55	2,133,089,983.39
Including: Interest receivable	210,003,430.11	198,577,632.43
Inventories	6,100,360,068.05	6,771,488,433.74
Assets held-for-sale	50,717,915.24	
Non-current assets due within one year	5,565,858,326.78	4,007,503,281.86
Other current assets	9,952,044,144.85	10,281,312,825.13
Total current assets	48,776,790,673.47	47,967,511,788.70
NON-CURRENT ASSETS:		
Long-term receivables	5,279,451,578.15	7,926,610,770.86
Long-term equity investments	474,707,109.80	484,674,282.77
Other non-current financial assets	765,160,000.00	103,000,000.00
Investment property	4,731,461,433.14	4,844,993,039.62
Fixed assets	30,774,255,749.34	27,913,986,152.68
Construction in progress	10,152,057,869.08	11,871,350,821.55
Intangible assets	2,024,361,567.03	1,939,355,274.98
Goodwill	5,969,626.57	5,969,626.57
Long-term prepaid expenses	129,568,658.12	134,916,241.81
Deferred income tax assets	758,929,929.02	603,873,698.62
Other non-current assets	2,686,036,767.70	1,522,493,129.66
Total non-current assets	57,781,960,287.95	57,351,223,039.12
Total assets	106,558,750,961.42	105,318,734,827.82

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Item	30 June 2019	31 December 2018
CURRENT LIABILITIES:		
Short-term borrowings	44,665,330,086.95	40,227,945,361.89
Bills payable	2,219,908,433.85	4,218,969,554.93
Accounts payable	4,612,151,878.32	4,150,228,644.66
Employee benefits payable	108,165,972.80	135,373,407.70
Taxes payable	314,284,022.19	451,651,198.64
Other payables	3,228,659,821.69	1,777,718,017.48
Including: Interest payable	163,355,268.55	226,788,777.59
Dividend payable	976,175,735.52	
Contract liabilities	639,444,833.26	419,540,133.74
Non-current liabilities due within one year	5,243,485,176.41	7,216,305,771.01
Other current liabilities	1,853,868,055.56	2,816,956,481.68
Total current liabilities	62,885,298,281.03	61,414,688,571.73
NON-CURRENT LIABILITIES:		
Long-term borrowings	8,449,738,255.44	7,798,934,484.94
Bonds payable	2,097,877,500.00	2,097,562,500.00
Long-term payables	3,630,523,501.35	3,900,255,693.44
Provisions	329,230,107.88	325,259,082.28
Deferred income	1,805,521,960.25	1,862,395,197.61
Deferred income tax liabilities		
Other non-current liabilities	2,051,031,576.50	2,047,948,069.73
Total non-current liabilities	18,363,922,901.42	18,032,355,028.00
TOTAL LIABILITIES	81,249,221,182.45	79,447,043,599.73

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Item	30 June 2019	31 December 2018
OWNERS' EQUITY:		
Share capital	2,904,608,200.00	2,904,608,200.00
Other equity instruments	7,465,500,000.00	7,465,500,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	2,988,000,000.00	2,988,000,000.00
Capital reserves	5,091,449,915.14	5,091,449,915.14
Less: Treasury shares		
Other comprehensive income	-752,536,869.21	-736,520,181.01
Special reserves	4,001,427.12	3,257,998.47
Surplus reserves	1,148,888,912.11	1,148,888,912.11
General risk provisions	64,123,919.23	64,123,919.23
Retained profit	8,542,942,527.62	9,107,422,690.85
Total equity attributable to owners of the Company	24,468,978,032.01	25,048,731,454.79
Minority interest	840,551,746.96	822,959,773.30
Total owners' equity	25,309,529,778.97	25,871,691,228.09
TOTAL LIABILITIES AND OWNERS' EQUITY	106,558,750,961.42	105,318,734,827.82

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company

Unit: RMB

Item	30 June 2019	31 December 2018
CURRENT ASSETS:		
Monetary funds	8,975,954,132.48	8,160,234,434.15
Bills receivable	610,733,820.49	436,662,187.80
Accounts receivable	106,218,916.73	1,349,276,965.04
Prepayments	1,992,149,171.76	1,584,388,551.00
Other receivables	17,730,598,151.93	19,405,314,961.24
Including: Interest receivable	69,171,162.65	77,257,506.25
Dividends receivable	1,023,353,000.00	
Inventories	695,649,440.79	1,133,888,230.37
Other current assets	130,445,337.51	140,126,157.18
Total current assets	30,241,748,971.69	32,209,891,486.78
NON-CURRENT ASSETS:		
Long-term receivables	516,925,607.06	516,925,607.06
Long-term equity investments	23,621,617,586.81	22,487,417,443.24
Investments in other equity instrument	3,000,000.00	3,000,000.00
Other non-current financial assets	103,000,000.00	103,000,000.00
Fixed assets	3,803,368,878.72	2,103,164,588.93
Construction in progress	523,108,866.98	2,014,493,138.68
Intangible assets	452,398,009.26	458,365,862.52
Deferred income tax assets	400,436,726.68	303,861,021.95
Other non-current assets	49,300,000.00	9,800,000.00
Total non-current assets	29,473,155,675.51	28,000,027,662.38
Total assets	59,714,904,647.20	60,209,919,149.16
CURRENT LIABILITIES:		
Short-term borrowings	8,545,244,718.34	7,668,689,104.31
Bills payable	11,685,733,442.58	10,595,836,030.46
Accounts payable	806,871,182.64	722,999,244.33
Contract liabilities	3,709,236,079.57	3,299,778,982.47
Employee benefits payable	56,431,633.89	53,899,651.15
Taxes payable	61,706,479.96	59,595,083.56
Other payables	5,315,116,231.34	5,465,488,890.52
Including: Interest payable	131,416,333.34	139,444,333.34
Dividend payable	976,175,735.52	
Non-current liabilities due within one year	3,238,789,335.72	3,256,715,148.39
Other current liabilities	2,673,868,055.56	3,527,956,481.68
Total current liabilities	36,092,997,159.60	34,650,958,616.87

X Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company (Cont'd)

Item	30 June 2019	31 December 2018
NON-CURRENT LIABILITIES:		
Long-term borrowings	763,242,631.96	1,335,482,969.43
Bonds payable	2,097,877,500.00	2,097,562,500.00
Long-term payables	1,237,291,100.52	2,072,502,840.48
Provisions	325,259,082.28	325,259,082.28
Deferred income	44,241,427.63	46,412,014.99
Deferred income tax liabilities		
Other non-current liabilities	1,593,766,672.00	1,592,166,670.00
Total non-current liabilities	6,061,678,414.39	7,469,386,077.18
TOTAL LIABILITIES	42,154,675,573.99	42,120,344,694.05
OWNERS' EQUITY:		
Share capital	2,904,608,200.00	2,904,608,200.00
Other equity instruments	7,465,500,000.00	7,465,500,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	2,988,000,000.00	2,988,000,000.00
Capital reserves	4,953,557,435.19	4,953,557,435.19
Less: Treasury shares		
Surplus reserves	1,136,699,330.20	1,136,699,330.20
Retained profit	1,099,864,107.82	1,629,209,489.72
Total owners' equity	17,560,229,073.21	18,089,574,455.11
TOTAL LIABILITIES AND OWNERS' EQUITY	59,714,904,647.20	60,209,919,149.16

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated Income Statement

Unit: RMB

Item	Amount for the first half of 2019	Amount for the first half of 2018
I. Total revenue	13,348,648,113.70	15,551,334,039.89
Including: Revenue	13,348,648,113.70	15,551,334,039.89
II. Total operating costs	12,968,897,317.21	13,616,998,093.86
Including: Operating costs	9,754,097,799.82	10,259,884,918.86
Taxes and surcharges	134,488,545.06	129,509,211.98
Sales and distribution expenses	590,584,957.47	605,463,325.71
General and administrative expenses	562,417,399.25	494,841,668.55
Research and development expense	431,483,716.06	478,014,854.10
Finance expenses	1,516,848,723.80	1,498,828,444.69
Including: Interest expenses	1,650,075,404.49	1,720,741,207.21
Interest income	213,994,280.22	159,096,591.34
Loss on impairment of assets	-83,464,107.59	150,455,669.97
Credit impairment loss	62,440,283.34	
Plus: Other income	38,831,290.64	59,672,276.88
Investment income ("-" denotes loss)	-9,467,172.97	152,314,068.88
Including: Investment income from associates and joint ventures	-9,467,172.97	-17,153,503.00
Gain on change in fair value ("-" denotes loss)	-1,883,064.80	-117,973,841.55
Gain on disposal of assets ("-" denotes loss)	22,823,551.43	-2,210,048.63
III. Operating profit ("-" denotes loss)	430,055,400.79	2,026,138,401.61
Plus: Non-operating income	237,472,592.97	191,632,557.35
Less: Non-operating expenses	5,050,128.19	446,221.32
IV. Total profit ("-" denotes total loss)	662,477,865.57	2,217,324,737.64
Less: Income tax expenses	125,877,819.62	434,202,112.50
V. Net profit ("-" denotes net loss)	536,600,045.95	1,783,122,625.14
(I) Classification according to the continuity of operation		
1. Net profit from continuing operations ("-" denotes net loss)	536,600,045.95	1,783,122,625.14
(II) Classification according to ownership		
1. Net profit attributable to shareholders of the Company	509,795,572.29	1,784,631,025.31
2. Profit or loss of minority interest	26,804,473.66	-1,508,400.17
VI. Net other comprehensive income after tax	-16,016,688.20	-103,234,110.38
Net other comprehensive income after tax attributable to shareholders of the Company	-16,016,688.20	-103,234,110.38
(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	-16,016,688.20	-103,234,110.38
1. Exchange differences on translation of foreign operations	-16,016,688.20	-103,234,110.38
2. Others		

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated Income Statement (Cont'd)

Item	Amount for the first half of 2019	Amount for the first half of 2018
VII. Total comprehensive income	520,583,357.75	1,679,888,514.76
Total comprehensive income attributable to shareholders of the Company	493,778,884.09	1,681,396,914.93
Total comprehensive income attributable to minority interest	26,804,473.66	-1,508,400.17
IIX. Earnings per share:		
(I) Basic earnings per share	0.013	0.36
(II) Diluted earnings per share	0.013	0.36

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

4. Income statement of the Company

Unit: RMB

Item	Amount for the first half of 2019	Amount for the first half of 2018
I. Revenue	2,696,012,416.10	2,816,294,485.82
Less: Operating costs	2,103,287,151.64	1,974,361,613.08
Taxes and surcharges	22,384,520.78	44,570,024.17
Sales and distribution expenses	95,933,113.16	90,052,325.82
General and administrative expenses	160,401,795.91	140,442,801.05
Research and development expense	122,265,471.50	112,935,318.57
Finance expenses	851,438,574.25	450,292,646.56
Including: Interest expenses	1,297,180,410.46	1,213,666,209.80
Interest income	524,005,473.68	838,254,501.87
Loss on impairment of assets		
Credit impairment loss	844,738.21	-3,263,078.84
Plus: Other income	2,180,872.36	2,170,587.30
Investment income ("-" denotes loss)	1,010,553,143.57	151,671,872.91
Including: Investment income from associates and joint ventures	-12,799,856.43	-4,078,127.09
Gain on change in fair value ("-" denotes loss)		-94,000,000.00
Gain on disposal of assets ("-" denotes loss)	22,416,169.42	-1,404,490.25
II. Operating profit ("-" denotes loss)	374,607,236.00	65,340,805.37
Plus: Non-operating income	77,943,339.00	159,134,238.55
Less: Non-operating expenses	4,195,926.11	
III. Total profit ("-" denotes total loss)	448,354,648.89	224,475,043.92
Less: Income tax expenses	-96,575,704.73	26,570,945.21
IV. Net profit ("-" denotes net loss)	544,930,353.62	197,904,098.71
(1) Net profit from continuing operations ("-" denotes net loss)	544,930,353.62	197,904,098.71
(2) Net profit from discontinued operations ("-" denotes net loss)		
V. Net other comprehensive income after tax		
VI. Total comprehensive income	544,930,353.62	197,904,098.71

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement

Item	Unit: RMB	
	Amount for the first half of 2019	Amount for the first half of 2018
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	14,748,713,123.70	14,209,807,106.29
Tax rebates received	660,483.85	4,906,195.67
Cash received relating to other operating activities	2,298,196,240.97	2,560,132,218.85
Subtotal of cash inflows from operating activities	17,047,569,848.52	16,774,845,520.81
Cash paid for goods and services	11,576,281,103.39	9,303,280,725.88
Cash paid to and for employees	674,527,204.40	578,298,920.80
Payments of taxes and surcharges	1,096,901,907.86	876,814,512.36
Cash paid relating to other operating activities	1,000,088,741.18	1,271,413,440.86
Subtotal of cash outflows from operating activities	14,347,798,956.83	12,029,807,599.90
Net cash flows from operating activities	2,699,770,891.69	4,745,037,920.91
II. Cash flows from investing activities:		
Cash received from investments		2,350,000,000.00
Cash received from investment income		171,500,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	111,235,000.00	150,077.55
Net cash received from disposal of subsidiaries and other business units		19,610,260.70
Cash received relating to other investing activities		11,194,100.00
Subtotal of cash inflows from investing activities	111,235,000.00	2,552,454,438.25
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	376,939,086.06	1,609,046,327.99
Cash paid on investments	1,639,194,479.24	1,311,172,596.96
Net increase in pledged loans		
Net cash paid for acquiring subsidiaries and other business units		
Cash paid relating to other investing activities	189,628,400.00	103,042,210.54
Subtotal of cash outflows from investing activities	2,205,761,965.30	3,023,261,135.49
Net cash flows from investing activities	-2,094,526,965.30	-470,806,697.24

X Financial Report

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement

Item	Amount for the first half of 2019	Amount for the first half of 2018
III. Cash flows from financing activities:		
Cash received from investments		
Including: Cash received from by subsidiaries from minority investment		
Cash received from borrowings	22,550,704,467.77	23,960,924,414.55
Cash received from issuance of bonds		
Cash received relating to other financing activities	3,479,693,527.06	8,940,587,508.90
Subtotal of cash inflows from financing activities	26,030,397,994.83	32,901,511,923.45
Cash repayments of amounts borrowed	18,763,676,782.15	19,647,186,258.44
Cash paid for dividend and profit distribution or interest payment	1,591,133,614.29	1,331,735,531.11
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Cash paid relating to other financing activities	6,456,564,308.43	15,500,213,039.33
Subtotal of cash outflows from financing activities	26,811,374,704.87	36,479,134,828.88
Net cash flows from financing activities	-780,976,710.04	-3,577,622,905.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-196,762,227.50	29,968,597.03
V. Net increase in cash and cash equivalents	-372,495,011.15	726,576,915.27
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,381,558,242.52	2,804,408,374.46
VII. Balance of cash and cash equivalents as at the end of the period	2,009,063,231.37	3,530,985,289.73

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

6. Cash flow statement of the Company

Unit: RMB

Item	Amount for the first half of 2019	Amount for the first half of 2018
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	4,975,401,290.02	2,262,576,453.26
Tax rebates received	—	
Cash received relating to other operating activities	974,266,183.30	997,388,740.42
Subtotal of cash inflows from operating activities	5,949,667,473.32	3,259,965,193.68
Cash paid for goods and services	949,039,632.39	1,005,422,983.37
Cash paid to and for employees	232,441,602.15	203,769,186.38
Payments of taxes and surcharges	85,040,472.23	298,790,554.29
Cash paid relating to other operating activities	643,575,724.57	778,975,073.31
Subtotal of cash outflows from operating activities	1,910,097,431.34	2,286,957,797.35
Net cash flows from operating activities	4,039,570,041.98	973,007,396.33
II. Cash flows from investing activities:		
Cash received from investments		2,380,000,000.00
Cash received from investment income		171,500,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	55,735,000.00	
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		
Subtotal of cash inflows from investing activities	55,735,000.00	2,551,500,000.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	17,933,778.78	26,375,996.36
Cash paid on investments	1,147,500,000.00	1,361,714,807.50
Net cash paid for acquiring subsidiaries and other business units		
Cash paid relating to other investing activities	39,500,000.00	
Subtotal of cash outflows from investing activities	1,204,933,778.78	1,388,090,803.86
Net cash flows from investing activities	-1,149,198,778.78	1,163,409,196.14

X Financial Report

II. Financial Statements (Cont'd)

6. Cash flow statement of the Company (Cont'd)

Item	Amount for the first half of 2019	Amount for the first half of 2018
III. Cash flows from financing activities:		
Cash received from investments		
Cash received from borrowings	6,360,366,283.77	7,562,143,316.17
Cash received from issuance of bonds		
Cash received relating to other financing activities	1,997,263,889.00	8,204,965,097.95
Subtotal of cash inflows from financing activities	8,357,630,172.77	15,767,108,414.12
Cash repayments of amounts borrowed	5,237,801,785.71	6,735,658,936.22
Cash paid for dividend and profit distribution or interest payment	774,396,836.69	716,590,206.19
Cash paid relating to other financing activities	5,593,391,883.99	10,373,957,627.23
Subtotal of cash outflows from financing activities	11,605,590,506.39	17,826,206,769.64
Net cash flows from financing activities	-3,247,960,333.62	-2,059,098,355.52
IV. Effect of foreign exchange rate changes on cash and cash equivalents	14,127.62	6,160,731.67
V. Net increase in cash and cash equivalents	-357,574,942.80	83,478,968.62
Plus: Balance of cash and cash equivalents as at the beginning of the period	607,805,063.02	1,020,262,069.85
VI. Balance of cash and cash equivalents as at the end of the period	250,230,120.22	1,103,741,038.47

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Amount for the period

Unit: RMB

Item	Amount for the first half of 2019														
	Equity attributable to owners of the Company														
	Other equity instruments					Other									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others	Subtotal	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00		5,091,449,915.14		-736,520,181.01	3,257,998.47	1,148,888,912.11	64,123,919.23	9,107,422,690.85	25,048,731,454.79	822,959,773.30	25,871,691,228.09	
Plus: Changes in accounting policies															
Corrections of previous errors															
Business combination under common control															
Others															
II. Balance as at the beginning of the year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00		5,091,449,915.14		-736,520,181.01	3,257,998.47	1,148,888,912.11	64,123,919.23	9,107,422,690.85	25,048,731,454.79	822,959,773.30	25,871,691,228.09	
III. Changes in the period															
(I) Total comprehensive income															
(II) Capital paid in and reduced by owners															
1. Ordinary shares paid by shareholders															
2. Capital paid by holders of other equity instruments															
3. Amount of state-based payments recognised in owners' equity															
4. Others															
(III) Profit distribution															
1. Transfer to surplus reserves															
2. Transfer to general risk provision															
3. Distribution to owners (or shareholders)															
4. Others															
(IV) Transfer of owners' equity															
1. Capital (or share capital) created on capital reserve															
(V) Special reserves															
1. Withdrawal															
2. Used															
(VI) Others															
IV. Balance as at the end of the period	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00		5,091,449,915.14		-732,536,989.21	4,001,427.12	1,148,888,912.11	64,123,919.23	8,542,942,527.62	24,468,978,022.01	840,551,746.96	25,309,529,778.97	

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity (Cont'd)

Amounts for the prior period

Unit: RMB

Item	Other equity instruments					Amount for the first half of 2018					Equity attributable to owners of the Company					Total				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others	Subtotal	Minority interest	owners' equity				
I. Balance as at the end of the prior year	1,936,405,467.00	4,477,500,000.00	5,570,800,000.00		6,149,257,784.90		-354,165,127.80		1,132,116,106.40		8,866,614,844.40			27,778,829,074.90	2,495,646,464.04	30,274,475,538.94				
Plus: Changes in accounting policies																				
Corrections of previous errors																				
Business combination under common control																				
Others																				
II. Balance as at the beginning of the year	1,936,405,467.00	4,477,500,000.00	5,570,800,000.00		6,149,257,784.90		-354,165,127.80		1,132,116,106.40		8,866,614,844.40			27,778,829,074.90	2,495,646,464.04	30,274,475,538.94				
III. Changes in the period ("+" denotes increase)	988,202,733.00				-1,026,305,328.81		-103,234,110.38				59,971,736.31			-101,364,968.88	-1,204,921,888.24	-1,306,286,868.12				
(I) Total comprehensive income							-103,234,110.38				1,784,631,025.31			1,681,366,914.93	-1,508,400.17	1,679,888,514.76				
(II) Capital paid in and reduced by owners					-58,102,596.81									-58,102,596.81	-1,203,413,488.07	-1,261,516,085.88				
1. Ordinary shares paid by shareholders					-58,102,596.81									-58,102,596.81	-1,203,413,488.07	-1,261,516,085.88				
2. Capital paid by holders of other equity instruments																				
3. Amount of share-based payments recognised in owner's equity																				
4. Others																				
(III) Profit distribution											-1,724,659,287.00			-1,724,659,287.00		-1,724,659,287.00				
1. Transfer to surplus reserves																				
2. Transfer to general risk provision																				
3. Distribution to owners (or shareholders)																				
4. Others																				
(IV) Transfer of owners' equity	988,202,733.00				-988,202,733.00															
1. Capital (or share capital) created on capital reserve																				
(V) Special reserves	988,202,733.00				-988,202,733.00															
1. Withdrawal																				
2. Used																				
(VI) Others																				
IV. Balance as at the end of the period	2,924,608,200.00	4,477,500,000.00	5,570,800,000.00		5,122,952,455.09		-457,398,238.18		1,132,116,106.40		8,926,586,582.71			27,677,464,106.02	1,290,727,574.80	28,967,891,680.82				

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

II. Financial Statements (Cont'd)

8. Statement of changes in owners' equity of the Company

Amounts for the period

Item	Amount for the first half of 2019											Unit: RMB
	Other equity instruments							Other				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income	Special reserves	Surplus reserves	Retained profit	Others	
I. Balance as at the end of the prior year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00		4,953,557,435.19				1,136,699,330.20	1,629,209,489.72		18,089,574,455.11
Plus: Changes in accounting policies												
Corrections of previous errors												
Others												
II. Balance as at the beginning of the year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00		4,953,557,435.19				1,136,699,330.20	1,629,209,489.72		18,089,574,455.11
III. Changes in the period												
("—" denotes decrease)												
(I) Total comprehensive income										-529,345,381.90		-529,345,381.90
(II) Capital paid in and reduced by owners										544,930,353.62		544,930,353.62
(III) Profit distribution												
1. Transfer to surplus reserves										-1,074,275,735.52		-1,074,275,735.52
2. Distribution to owners (or shareholders)												
3. Others												
(IV) Transfer of owners' equity												
1. Capital (or share capital) created on capital reserve												
(V) Special reserves												
1. Withdrawal												
2. Used												
(VI) Others												
IV. Balance as at the end of the period	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00		4,953,557,435.19				1,136,699,330.20	1,099,864,107.82		17,560,229,073.21

II. Financial Statements (Cont'd)

8. Statement of changes in owners' equity of the Company (Cont'd)

Amounts for the prior period

Unit: RMB

Item	Amount for the first half of 2018										Total owners' equity	
	Other equity instruments					Less:						
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Others	
I. Balance as at the end of the prior year	1,938,405,467.00	4,477,500,000.00	5,570,800,000.00		5,938,960,168.19				1,119,926,524.49	3,674,882,253.11		22,718,474,412.79
Plus: Changes in accounting policies												
Corrections of previous errors												
Others										-8,503,727.68		-8,503,727.68
II. Balance as at the beginning of the year	1,938,405,467.00	4,477,500,000.00	5,570,800,000.00		5,938,960,168.19				1,119,926,524.49	3,666,378,525.43		22,709,970,685.11
III. Changes in the period												
(I) Changes in the period ("—" denotes decrease)												
(i) Total comprehensive income	968,202,733.00				-968,202,733.00					-1,526,755,188.29		-1,526,755,188.29
(ii) Capital paid in and reduced by owners										197,904,098.71		197,904,098.71
(iii) Profit distribution												
1. Transfer to surplus reserves										-1,724,659,287.00		-1,724,659,287.00
2. Distribution to owners (or shareholders)												
3. Others												
(IV) Transfer of owners' equity	968,202,733.00				-968,202,733.00							
1. Capital (or share capital) created on capital reserve	968,202,733.00				-968,202,733.00					-1,724,659,287.00		-1,724,659,287.00
(V) Special reserves												
1. Withdrawal												
2. Used												
(VI) Others												
V. Balance as at the end of the period	2,904,608,200.00	4,477,500,000.00	5,570,800,000.00		4,970,757,435.19				1,119,926,524.49	2,139,623,337.14		21,183,215,496.82

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

III. General Information of the Company

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

The Company and its subsidiaries are principally engaged in, 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 15 August 2019.

Subsidiaries of the Company included in the scope of consolidation for the reporting period totalled 67. For details, please refer to this Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had one company included compared to the prior year. For details, please refer to this Note VIII “Changes in the scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

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

V. Significant Accounting Policies and Accounting Estimates

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 “Revenue” under this Note. For the critical accounting judgments and estimates made by the management, please refer to “Change of Significant accounting policies and accounting estimates” under this Note.

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.

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

4. 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.

X Financial Report

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 combination under common control

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

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquire plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. Transaction cost attributable to equity or debt securities issued by the acquirer as consideration is included in the initial costs. Contingent consideration involved is charged to the combination cost at its fair value on the acquisition date, in the event that adjustment on the contingent consideration is required as a result of new or additional evidence in relation to circumstances existed on the acquisition date emerges within 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.

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 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:

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.

X Financial Report

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

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

(2) Basis for preparation of the consolidated financial statements

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.

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.

X Financial Report

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

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

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

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.

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.

X Financial Report

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

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.

(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.

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.

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.

X 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)

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.

(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.

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

10. Financial instruments (Cont'd)

(2) Classification, recognition and measurement of financial liabilities (Cont'd)

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.

(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.

X Financial Report

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.

(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.

X Financial Report

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

11. Bills receivable

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

12. Accounts receivable

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.

X Financial Report

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

13. Other receivables

Determination and accounting treatment of expected credit loss of 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.

14. 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.

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

14. 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.

15. Assets held-for-sale

Assets held-for-sale measures non-current assets held for sale and assets within the disposal groups held for sale. When classifying such non-current assets or disposal groups as held-for-sale, assets held-for-sale shall be debited; items such as “accumulated depreciation” and “accumulated amortisation” are debited based on their respective accrued amounts; items such as “fixed assets”, “intangible assets”, “long-term equity investments” and “goodwill” are credited according to their respective balances. For items for which provision for impairment is made, such provision shall be carried forward at the same time. The closing balance of debit for assets held-for-sale reflects the book balance of the Company’s non-current assets held for sale and assets within the disposal groups held for sale.

16. 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.

X Financial Report

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

17. 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. "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.

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.

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

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

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

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

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognised based on the purchase cost actually paid by the Company in cash, the fair value of equity securities issued by the Company, the agreed value of investment contract or agreement, the fair value or original carrying 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.

X Financial Report

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

17. 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.

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.

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

17. 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)

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

③ *Acquisition of minority interest*

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

④ *Disposal of long-term equity investments*

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

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

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

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

X Financial Report

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

17. 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 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.

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.

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

18. Investment property

Measurement of investment property

Measured by using the cost method

Depreciation or amortisation methods

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.

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.

X Financial Report

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

19. 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.

(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.

20. Construction in progress

Construction in progress is recognised based on the actual construction cost, including all expenditures incurred for construction projects, capitalised borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period. A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

The method for impaired test of construction in progress and measurement of impairment provision are detailed in Note V. 25 "Impairment of long-term asset".

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

21. 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.

22. 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.

X Financial Report

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

23. Right-of-use assets

(1) Conditions for recognition

Right-of-use assets refer to the rights of using the assets over the lease term. Right-of-use assets are initially measured at cost, including the amount of initial measurement under

- (I) lease liabilities;
- (II) for lease payment on or before the date of commencement of the lease period, where there was lease incentive, such incentives shall be deducted;
- (III) initial direct expenses incurred by the lessee;
- (IV) costs expected to be incurred by the lessee for demolition and removal of leased assets, restoration of the premises where the leased assets are located, or restoration of the leased assets to the conditions of the lease terms.

(2) Depreciation method

Right-of-use assets are depreciated using the straight-line method over its useful life.

The Company adopts cost method for subsequent measurement of right-of-use assets. Where ownership of the lease assets during the lease term can be reasonably determined, right-of-use assets are depreciated over the remainder of useful lives of the lease assets; where ownership of the lease assets during the lease term cannot be reasonably determined, right-of-use assets are depreciated over the lease term or the remainder of useful lives of the lease assets, whichever is shorter.

24. 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. 25 "Impairment of long-term assets".

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

24. Intangible assets (Cont'd)

(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.

25. 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.

X Financial Report

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

25. Impairment of long-term asset (Cont'd)

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.

26. Long-term prepaid expenses

Long-term prepaid expenses measures the Company's incurred expenses with amortisation period of over one year, including repair expenditure of fixed assets, improvement expenditure of fixed assets under lease and other prepaid expenses with amortisation period of over one year.

27. 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.

28. 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.

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

28. 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.

29. 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.

X Financial Report

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

30. 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. 21 "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.

X Financial Report

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

31. Revenue

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, and 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.

X Financial Report

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

32. 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 for the current period 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.

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

33. 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.

X Financial Report

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

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

(3) Income tax expenses

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.

34. Lease

(1) Accounting treatment with the Company recorded as lessor

① *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 *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.

X Financial Report

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

34. Lease (Cont'd)

(2) Accounting treatment with the Company recorded as lessee

On the beginning date of the lease, the Company recognises right-of-use assets and lease liabilities for leases, except for short-term lease and low-value asset lease with simplified treatment.

The beginning date of the lease refers to the date since which the Company may use the lease assets provided by the lessor. The lease term refers to the period during which the Company has the right to use the lease assets which is irrevocable.

Right-of-use assets refer to the rights of using the assets over the lease term. Right-of-use assets are initially measured at cost. For lease payment on or before the beginning date of the lease period, where there was lease incentive, such incentives shall be deducted, as well as the initial direct expenses incurred by the lessee, costs expected to be incurred by the lessee for demolition and removal of leased assets, restoration of the premises where the leased assets are located, or restoration of the leased assets to the conditions of the lease terms. Right-of-use assets are depreciated using the straight-line method over its useful life.

Lease liabilities are initially measured at the present value of outstanding lease payment at the beginning date of lease period. The bank lending rate for the same period is used as discount rate when calculating the present value of the lease payment.

Right-of-use assets and lease liabilities are presented separately on the balance sheet of the Company. Lease liabilities are usually presented separately as non-current liabilities and non-current liabilities due within one year.

In the income statement, the interest expenses of lease liabilities and depreciation expenses of right-of-use assets are separately presented. Interest expense of lease liabilities is presented under finance expenses.

35. Others

VI. Taxation

1. Main tax types and tax rates

Tax type	Tax base	Tax rate
Value added tax (VAT)	16% and 13% for general, 10% and 9% 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.	16%, 13%, 10%, 9%, 6%
Urban maintenance and construction tax	7%, 5% and 1% of actual payment of turnover tax.	7%, 5%, 3%, 1%
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.	25%, 15%, 10%

VI. Taxation (Cont'd)

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.

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.

For Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, its high and new technology enterprise certificate with a certification number of GR201622000039 obtained on 1 November 2016 has expired, and is making a renewal application.

For Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, its high and new technology enterprise certificate with a certification number of GR201636000018 obtained on 15 November 2016 has expired, and is making a renewal application.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201844005747 on 28 November 2018. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, it is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

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.

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 2019.

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 2019.

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 2019.

3. Others

X Financial Report

VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	2,316,388.38	2,078,321.66
Bank deposit	2,006,746,843.00	2,379,479,920.86
Other monetary funds	18,718,827,955.87	16,911,216,505.27
Total	20,727,891,187.25	19,292,774,747.79
Of which: Total deposits in overseas banks	386,703,983.47	614,601,451.77

Other explanation

- Notes: ① Other monetary funds of RMB14,388,551,572.15 (31 December 2018: RMB9,329,325,370.71) were the guarantee deposit for the application for bank acceptance with the banks by the Group;
- ② Other monetary funds of RMB2,001,461,802.43 (31 December 2018: RMB3,703,195,695.22) were the guarantee deposit for the application for letter of credit with the banks by the Group;
- ③ Other monetary funds of RMB1,690,568,603.51 (31 December 2018: RMB2,358,115,439.34) were the guarantee deposit for the application for guarantees with the banks by the Group;
- ④ Other monetary funds of RMB254,045,977.78 (31 December 2018: RMB987,520,000.00) were the guarantee deposit for the application for loans with the banks by the Group;
- ⑤ Other monetary funds of RMB384,200,000.00 (31 December 2018: RMB533,060,000.00) were the Group's statutory reserve deposit at the banks.

X Financial Report

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

2. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	750,842,498.89	1,213,116,491.46
Total	750,842,498.89	1,213,116,491.46

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
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	750,842,498.89	100.00%			750,842,498.89	1,199,616,491.46	98.77%			1,199,616,491.46
Of which:										
Bank acceptance bills	750,842,498.89	100.00%			750,842,498.89	1,199,616,491.46	98.77%			1,199,616,491.46
Commercial acceptance bills										
Total	750,842,498.89	100.00%			750,842,498.89	1,214,616,491.46	100.00%	1,500,000.00	0.12%	1,213,116,491.46

X Financial Report

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

2. Bills receivable (Cont'd)

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

Significant recovery or reversal of bad debt provision for the period:

☒ Applicable ☐ Not applicable

Unit: RMB

Category	Opening balance	Changes in the period		Closing balance
		Provision	Recovery or reversal Written off	
Accounts receivable with provision for bad debt	1,500,000.00		1,500,000.00	—
Total	1,500,000.00		1,500,000.00	—

Note: Bills amounting to RMB15,000,000.00 represent payment received from Changjiang (Hubei) Publishing & Print Materials Co., Ltd. in advance, and the bad debt provision for which is made individually under bills receivable at the beginning of the period, which has been transferred to bad debt provision individually made under accounts receivable for the current period.

(3) 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	624,106,580.39
Total	624,106,580.39

(4) 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	6,072,923,132.61	
Total	6,072,923,132.61	

X Financial Report

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

2. Bills receivable (Cont'd)

(5) 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
Bills receivable	37,600,000.00
Total	37,600,000.00

3. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Opening balance		Bad debts provision		Carrying amount
	Amount	Percentage	Amount	Provision percentage		Amount	Percentage	Amount	Provision percentage	
Accounts receivable assessed individually for impairment	67,960,343.90	1.73%	55,040,343.90	80.99%	12,920,000.00	71,960,343.90	1.90%	55,240,343.90	76.76%	16,720,000.00
Of which:										
Accounts receivable assessed collectively for impairment	3,854,279,812.78	98.27%	361,394,095.99	9.38%	3,492,885,716.79	3,711,403,752.23	98.10%	323,636,747.64	8.72%	3,387,767,004.59
Of which:										
Accounts receivable from related parties	7,005,299.94	0.18%	1,716,884.04	24.51%	5,288,415.90	5,838,812.92	0.15%	947,246.64	16.22%	4,891,566.28
Accounts receivable from distributor clients	3,637,109,235.06	92.73%	359,046,716.12	9.87%	3,278,062,518.94	3,043,388,184.37	80.44%	320,207,886.86	10.52%	2,723,180,297.51
Factoring receivables	210,165,277.78	5.36%	630,495.83	0.30%	209,534,781.95	662,176,754.94	17.50%	2,481,614.14	0.37%	659,685,140.80
Total	3,922,240,156.68	100.00%	416,434,439.89	10.62%	3,505,805,716.79	3,783,364,096.13	100.00%	378,877,091.54	10.01%	3,404,487,004.59

X Financial Report

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

3. Accounts receivable (Cont'd)

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

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 TENGFA RUN 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.	13,600,000.00	680,000.00	5.00%	Bills matured but not collected
Total	67,960,343.90	55,040,343.90	-	-

Items assessed collectively for impairment:

Accounts receivable with collective provision for bad debts based on receivables from related parties:

Unit: RMB

Name	Book balance	Closing balance	
		Bad debts provision	Provision percentage (%)
Within 1 year	4,372,394.16	218,619.71	5%
1-2 years	513,899.40	51,389.94	10%
2-3 years	840,164.98	168,032.99	20%
Over 3 years	1,278,841.40	1,278,841.40	100%
Total	7,005,299.94	1,716,884.04	-

X Financial Report

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

3. Accounts receivable (Cont'd)

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

Accounts receivable with collective provision for bad debts based on receivables from distributor clients:

Unit: RMB

Name	Closing balance		Provision percentage (%)
	Book balance	Bad debts provision	
Within 1 year	3,288,959,975.08	145,760,318.07	4.43%
1-2 years	103,718,997.15	10,371,899.72	10.00%
2-3 years	51,894,705.62	10,378,941.12	20.00%
Over 3 years	192,535,557.21	192,535,557.21	100.00%
Total	3,637,109,235.06	359,046,716.12	–

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please disclose the information about provision for bad debts with reference to the way of disclosure of other receivables:

☐ Applicable ☒ Not applicable

By ageing

Unit: RMB

Ageing	Closing balance
Within 1 year	3,369,808,213.41
1-2 years	93,809,606.89
2-3 years	42,187,896.49
Total	3,505,805,716.79

X Financial Report

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

3. 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 Recovery or reversal	Written off	Closing balance
Accounts receivable with provision for bad debt	378,877,091.54	39,608,466.66	2,051,118.31		416,434,439.89
Total	378,877,091.54	39,608,466.66	2,051,118.31		416,434,439.89

(3) Top five accounts receivable based on closing balance of debtors

Unit: RMB

Name of entity	Nature	Closing amount	Ageing	Percentage to closing balance of other receivables	Closing balance of bad debt provision
BEIJING PAPER COMPANY FOR FOREIGN LANGUAGE PUBLICATIONS	Loan	214,005,849.96	Within 1 year	5.46%	10,700,292.50
YUNNAN PRINTING MATERIALS CO. LTD.	Loan	86,300,124.14	Within 1 year	2.20%	4,315,006.21
SHENZHEN CENTURY HOPE TRADE CO., LTD.	Loan	69,951,518.53	Within 1 year	1.78%	3,497,575.93
DONGGUAN HUAFA PAPER CO., LTD.	Loan	66,534,917.30	Within 1 year	1.70%	3,326,745.87
GUANGZHOU JINGUAN FANZHOU PAPER CO., LTD.	Loan	61,025,415.53	Within 1 year	1.56%	3,051,270.78
Total	-	497,817,825.46	-	12.69%	24,890,891.29

X Financial Report

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

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	486,689,905.11	94.91%	793,395,209.02	91.86%
1-2 years	26,122,556.96	5.09%	70,343,811.72	8.14%
Total	512,812,462.07	--	863,739,020.74	--

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

Name of entity	Nature	Closing amount	Ageing	Percentage to closing balance of prepayments	Reason for being unsettled
JIANGXI PROVINCE ZHONGLIAN ENERGY DEVELOPMENT CO., LTD.	Loan	82,871,712.88	Within 1 year	16.16%	Prepayments for goods according to the agreed contract
SHOUGUANG CHENMING NATURAL GAS CO., LTD.	Loan	51,950,255.71	Within 1 year	10.13%	Prepayments for goods according to the agreed contract
SHANDONG HEXIN CHEMICAL GROUP CO., LTD.	Loan	36,005,510.81	Within 1 year	7.02%	Prepayments for goods according to the agreed contract
LINYI WANCHENG TRADE CO., LTD.	Loan	17,653,234.05	Within 1 year	3.44%	Prepayments for goods according to the agreed contract
JINAN LONGYU PULP & PAPER CO., LTD.	Loan	15,275,387.36	Within 1 year	2.98%	Prepayments for goods according to the agreed contract
Total		203,756,100.81		39.73%	

X Financial Report

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

5. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	210,003,430.11	198,577,632.43
Other receivables	1,400,454,923.44	1,934,512,350.96
Total	1,610,458,353.55	2,133,089,983.39

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Time deposit	0.00	1,002,811.95
Bond investment	0.00	25,018,561.36
Interest on deposit	210,003,430.11	172,556,259.12
Total	210,003,430.11	198,577,632.43

(2) Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	1,406,823,003.01	1,960,044,821.28
Reserve and borrowings	1,123,747.33	1,957,000.00
Guarantee deposit	10,639,508.54	18,064,797.46
Insurance premium	1,224,439.62	2,034,980.18
Advances	4,629,242.14	4,099,146.51
Others	162,375,159.64	162,793,258.20
Total	1,586,815,100.28	2,148,994,003.63

X Financial Report

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

Unit: RMB

	Phase 1 Expected credit loss for the next 12 months	Phase 2 Expected credit loss over the entire life (not credit-impaired)	Phase 3 Expected credit loss over the entire life (credit-impaired)	Total
Bad debt provision				
Balance as at 1 January 2019		180,706,607.98	33,775,044.69	214,481,652.67
Balance as at 1 January 2019 during the period	-	-	-	-
-Transferred into Phase 2		2,115,218,958.94		2,115,218,958.94
-Transferred into Phase 3			33,775,044.69	33,775,044.69
-Reversal to Phase 2				
-Reversal to Phase 1				
Provision for the year		27,839,538.39		27,839,538.39
Reversal for the year		50,727,406.92	28,350,785.93	79,078,192.85
Transfer for the year				
Writing-off for the year				
Other changes				
Balance as at 30 June 2019		180,935,918.08	5,424,258.76	186,360,176.84

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

☐ Applicable ☒ Not applicable

By ageing

Unit: RMB

Ageing	Closing balance
Within 1 year	1,059,136,065.35
1-2 years	267,976,828.92
2-3 years	67,201,314.48
3-4 years	277,224.02
4-5 years	2,800,490.00
Over 5 years	3,063,000.67
Total	1,400,454,923.44

X Financial Report

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

5. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Changes for the period		Closing balance
		Provision	Recovery or reversal	
Bad debt provision for other receivables	237,598,831.30	27,839,538.39	79,078,192.85	186,360,176.84
Total	237,598,831.30	27,839,538.39	79,078,192.85	186,360,176.84

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 RUIJI ASSET MANAGEMENT CO., LTD.	Consideration for equity transfer	805,040,747.00	Within 1 year	50.73%	40,252,037.35
XIWANG GROUP FINANCE CO., LTD.	Open credit	100,000,000.00	Within 1 year	6.30%	5,000,000.00
WEIFANG SIME DARBY WEST PORT CO., LTD	Open credit	62,631,878.08	1-2 years	3.95%	4,086,281.40
HUANGGANG HIGH-TECH DEVELOPMENT ZONE MANAGEMENT COMMITTEE	Land transfer	17,860,367.88	1-2 years	1.13%	1,786,036.79
GUANGDONG ZHONGTUO CONSTRUCTION CO., LTD.	Relocation payment	15,200,000.00	3-4 years	0.96%	15,200,000.00
Total	-	1,000,732,992.96	-	63.07%	66,324,355.54

X Financial Report

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

5. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

5) Government grants related receivables

Unit: RMB

Name of entity	Name of project receiving government grants	Closing balance	Maturity as at the end of the period	Estimated time and amount of receiving the grants and the basis thereof
Shandong Chenming	Other enterprise reform and development grants	73,730,000.00	1 month	Received at 5 July
Meilun Paper	Other enterprise reform and development grants	27,400,000.00	1 month	Received at 5 July
Total		101,130,000.00		

6. Inventories

Whether the New Standard for Revenue has been implemented

☒ Yes ☐ No

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance Impairment provision for inventories or performance costs	Carrying amount	Book balance	Opening balance Impairment provision for inventories or performance costs	Carrying amount
Raw materials	2,884,649,476.30		2,884,649,476.30	3,275,454,669.27	9,525,360.59	3,265,929,308.68
Work-in-process products	121,882,974.07		121,882,974.07	102,153,808.77		102,153,808.77
Goods in stock	1,246,019,599.62		1,246,019,599.62	1,690,248,067.43	34,943,475.27	1,655,304,592.16
Consumable biological assets	1,532,910,693.20		1,532,910,693.20	1,511,542,610.36		1,511,542,610.36
Developing products	314,897,324.86		314,897,324.86	309,823,656.64	73,265,542.87	236,558,113.77
Total	6,100,360,068.05		6,100,360,068.05	6,889,222,812.47	117,734,378.73	6,771,488,433.74

X Financial Report

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

6. Inventories (Cont'd)

(2) Impairment provision for inventories or performance costs

Unit: RMB

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	9,525,360.59			9,525,360.59		-
Goods in stock	34,943,475.27			34,943,475.27		-
Developing products	73,265,542.87			73,265,542.87		-
Total	117,734,378.73			117,734,378.73		-

Notes: ① Since March 2019, the prices of various types of machine-made paper have been increasing. In June, we conducted an impairment test on finished products, and the net realisable value was higher than the cost, and there was no sign of impairment.

② On 25 March, the Company received the "Letter on Terminating the Construction of the BT Project for the Coastal and Beach Comprehensive Treatment Project of Haidong New District of Zhanjiang City" (Zhan Dai Jian Han [2019] No. 66) issued by the Zhanjiang City Construction Project Management Bureau. The letter required that all the pre-investment projects and project costs that have been invested at the early stage should be included in the development cost of the first zone, which obtained sea area use right certificate. Since the events that caused provision impairment of the developing products at the early stage disappeared, the impairment provision for inventories was reversed.

7. Assets held-for-sale

Unit: RMB

Item	Closing book balance	Impairment provision	Closing carrying amount	Fair value	Estimated disposal fee	Estimated disposal time
Kraft paper production line of Fuyu Chenming	224,652,780.55	173,934,865.31	50,717,915.24	50,300,000.00	-	2020-01

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	5,565,858,326.78	4,007,503,281.86
Total	5,565,858,326.78	4,007,503,281.86

X Financial Report

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

9. Other current assets

Whether the New Standard for Revenue has been implemented

√ Yes ☐ No

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	1,391,709,444.36	1,365,819,497.97
Prepaid tax	46,204,550.66	13,217,451.88
Receivables under financial lease due within one year	8,345,877,080.02	8,234,007,148.70
Prepaid expenses	165,347,939.51	662,919,414.09
Others	2,905,130.30	5,349,312.49
Total	9,952,044,144.85	10,281,312,825.13

10. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance		Discount rate range
		Bad debt provision	Carrying amount		Bad debt provision	Carrying amount	
Finance lease payments	12,362,308,287.51	179,024,982.90	12,183,283,304.61	13,581,636,630.17	145,746,721.12	13,435,889,909.05	4-10
Less: Unrealised financing income	1,183,579,855.68		1,183,579,855.68	1,501,775,856.33		1,501,775,856.33	
Less: Non-current assets due within one year	5,887,079,513.38	166,827,642.60	5,720,251,870.78	4,028,313,053.68	20,809,771.82	4,007,503,281.86	
Total	5,291,648,918.45	12,197,340.30	5,279,451,578.15	8,051,547,720.16	124,936,949.30	7,926,610,770.86	

X Financial Report

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

10. Long-term receivables (Cont'd)

(1) Particulars of long-term receivables (Cont'd)

Particulars of bad debt impairment provision

Unit: RMB

	Phase 1 Expected credit loss for the next 12 months	Phase 2 Expected credit loss over the entire life (not credit-impaired)	Phase 3 Expected credit loss over the entire life (credit-impaired)	Total
Bad debt provision				
Balance as at 1 January 2019		145,746,721.12		145,746,721.12
Balance as at 1 January 2019 during the period				
–Transferred into Phase 2				
–Transferred into Phase 3				
–Reversal to Phase 2				
–Reversal to Phase 1				
Provision for the year		33,278,261.78		33,278,261.78
Reversal for the year				
Transfer for the year				
Writing-off for the year				
Other changes				
Balance as at 30 June 2019		179,024,982.90		179,024,982.90

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

☐ Applicable ☒ Not Applicable

Other explanation

X Financial Report

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

11. Long-term equity investments

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Change for the period			Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance	Closing balance of impairment provision
				Investment gain or loss recognised under equity method	Adjustment of other comprehensive income	Other change in equity interest					
I. Joint ventures											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	3,572,834.79			975,461.08			500,000.00			4,048,295.87	
Weifang Sime Darby West Port Co., Ltd	103,159,857.71			-7,969,846.98						95,190,010.73	
Weifang Xingxing United Chemical Co., Ltd.	109,253,237.12			4,099,600.98						113,352,838.10	
Sub-total	215,985,929.62			-2,894,784.92			500,000.00			212,591,144.70	
II. Associates											
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	811,998.75			-480,747.58						331,251.17	
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,253,817.72			108,497.32						52,362,315.04	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	199,585,216.94			799,460.06						200,384,677.00	
Xuchang Chenming Paper Co., Ltd.	5,994,545.96			-5,994,545.96						-	
Jiangxi Chenming Port Co., Ltd.	2,156,252.31			-766,917.52						1,389,334.79	
Chenming (Qingdao) Asset Management Co., Ltd.	7,886,521.47			-238,134.37						7,648,387.10	
Sub-total	268,688,353.15			-6,572,388.05						262,115,965.10	
Total	484,674,282.77			-9,467,172.97			500,000.00			474,707,109.80	

X Financial Report

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

12. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Equity instrument investment	765,160,000.00	103,000,000.00
Total	765,160,000.00	103,000,000.00

13. Investment properties

(1) Investment properties under the cost method

Item	Housing and building structure	Land use rights	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	5,021,057,510.73			5,021,057,510.73
2. Increase for the year				
3. Decrease for the year	3,090,227.36			3,090,227.36
(1) Disposal	3,090,227.36			3,090,227.36
4. Closing balance	5,017,967,283.37			5,017,967,283.37
II. Accumulated depreciation and accumulated amortisation				
1. Opening balance	176,064,471.11			176,064,471.11
2. Increase for the year	111,282,341.19			111,282,341.19
(1) Provision or amortisation	111,282,341.19			111,282,341.19
3. Decrease for the year	840,962.07			840,962.07
(1) Disposal	840,962.07			840,962.07
4. Closing balance	286,505,850.23			286,505,850.23
IV. Carrying amount				
1. Closing carrying amount	4,731,461,433.14			4,731,461,433.14
2. Opening carrying amount	4,844,993,039.62			4,844,993,039.62

14. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	30,774,255,749.34	27,913,986,152.68
Total	30,774,255,749.34	27,913,986,152.68

X Financial Report

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

14. Fixed assets (Cont'd)

(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	9,669,605,532.54	32,091,581,325.72	345,066,029.50	440,199,456.27	42,546,452,344.03
2. Increase for the period	199,399,266.20	3,563,165,711.79	16,240,303.34	5,711,396.43	3,784,516,677.76
(1) Acquisition	50,976,885.65	32,624,783.10	3,528,582.53	5,425,353.38	92,555,604.66
(2) Transferred from construction in progress	148,422,380.55	3,530,540,928.69	12,711,720.81	286,043.05	3,691,961,073.10
(3) Increase in business combinations					
3. Decrease for the period	171,362,577.70	264,357,625.00	3,043,833.97	6,543,249.48	445,307,286.15
(1) Disposal or retirement	47,658,732.97	19,104,009.29	1,583,087.61	2,266,916.65	70,612,746.52
(2) Transferal	19,261.54				19,261.54
(3) Transferred to assets held-for-sale	123,684,583.19	245,253,615.71	1,460,746.36	4,276,332.83	374,675,278.09
4. Closing balance	9,697,642,221.04	35,390,389,412.51	358,262,498.87	439,367,603.22	45,885,661,735.64
II. Accumulated depreciation					
1. Opening balance	1,678,906,121.65	12,326,017,656.16	173,353,238.78	257,772,524.59	14,436,049,541.18
2. Increase for the period	127,158,122.10	676,205,622.57	16,960,307.47	7,379,287.21	827,703,339.35
(1) Provision	127,158,122.10	676,205,622.57	16,960,307.47	7,379,287.21	827,703,339.35
3. Decrease for the period	65,606,218.05	101,491,723.48	2,040,748.21	5,689,989.35	174,828,679.09
(1) Disposal or retirement	15,023,390.75	11,705,555.76	764,605.87	1,632,235.94	29,125,788.32
(2) Transferal	5,184.53				5,184.53
(3) Transferred to assets held-for-sale	50,577,642.77	89,786,167.72	1,276,142.34	4,057,753.41	145,697,706.24
4. Closing balance	1,740,458,025.70	12,900,731,555.25	188,272,798.04	259,461,822.45	15,088,924,201.44
III. Provision for impairment					
1. Opening balance	50,958,113.15	145,083,130.77	13,092.92	362,313.33	196,416,650.17
2. Increase for the period					
(1) Provision					
3. Decrease for the period	50,958,113.15	122,601,345.91	13,092.92	362,313.33	173,934,865.31
(1) Disposal or retirement					
(2) Transferred to assets held-for-sale	50,958,113.15	122,601,345.91	13,092.92	362,313.33	173,934,865.31
4. Closing balance	22,481,784.86				22,481,784.86
IV. Carrying amount					
1. Closing carrying amount	7,957,184,195.34	22,467,176,072.40	169,989,700.83	179,905,780.77	30,774,255,749.34
2. Opening 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

X Financial Report

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

14. Fixed assets (Cont'd)

(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	7,204,288.74		45,337,267.79	
Machinery and equipment	461,842,555.02	174,634,921.54	20,501,583.51	266,706,049.97	
Total	514,384,111.55	181,839,210.28	20,501,583.51	312,043,317.76	

(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)	219,633,066.69	Scheduled operation commencement not imminent
Housing and building structure (SHOUGUANG MEILUN)	276,549,079.27	Scheduled operation commencement not imminent
Housing and building structure (HAIMING MINING)	134,823,018.55	Scheduled operation commencement not imminent
Housing and building structure (JILIN CHENMING)	422,053,751.94	Scheduled operation commencement not imminent
Housing and building structure (Parent company)	73,212,959.15	Scheduled operation commencement not imminent
Housing and building structure (ZHANJIANG CHENMING)	1,348,705,580.19	Scheduled operation commencement not imminent
Total	2,474,977,455.79	

X Financial Report

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

15. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	10,141,701,524.68	11,861,494,351.33
Materials for project	10,356,344.40	9,856,470.22
Total	10,152,057,869.08	11,871,350,821.55

(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
Newsprint machine to cultural paper machine and related pulp line transformation (Headquarters)				1,426,602,125.57		1,426,602,125.57
Upgrading and renovation of back pressure unit of captive power plant (Headquarters)	212,587,040.69		212,587,040.69	177,001,786.08		177,001,786.08
Membrane treatment for reclaimed water recycling (Headquarters)	236,089,709.94		236,089,709.94	145,410,753.42		145,410,753.42
Chemical pulp project (Meilun)	3,602,279,799.06		3,602,279,799.06	3,016,785,495.66		3,016,785,495.66
High-end cultural paper (Meilun)	117,738,632.97		117,738,632.97	1,701,781,479.30		1,701,781,479.30
Haiming mining magnesite deep processing project (Haiming)	544,449,147.79		544,449,147.79	486,501,551.60		486,501,551.60
200,000-ton magnesite-alumina spinel project (Haiming)	774,397,532.48		774,397,532.48	558,876,283.14		558,876,283.14
Huanggang Chenming integrated forestry, pulp and paper project	4,052,359,826.41		4,052,359,826.41	3,605,150,078.66		3,605,150,078.66
Membrane treatment project (Zhanjiang Chenming)	88,779,975.16		88,779,975.16	74,505,129.72		74,505,129.72
Back pressure unit project (Zhanjiang Chenming)	51,243,062.13		51,243,062.13	26,452,503.41		26,452,503.41
Others	485,462,893.87	23,686,095.82	461,776,798.05	479,609,593.48	27,428,935.82	452,180,657.66
Total	10,165,387,620.50	23,686,095.82	10,141,701,524.68	11,888,923,287.15	27,428,935.82	11,861,494,351.33

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

15. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects for the period

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
Unit: RMB												
Upgrading and renovation of back pressure unit of captive power plant (Headquarters)	213	177,001,786.08	35,585,254.61			212,587,040.69	98.13%	0.17	254,782.94	254,782.94		Self-raised and borrowings
40071d Mechanical pulp project (Headquarters)	1.30	190,246,507.11	26,098,726.22	216,345,233.33		0.00	0.00%	0.95	-	-		Self-raised and borrowings
Membrane treatment for reclaimed water recycling (Headquarters)	3.20	145,410,753.42	90,678,956.52			236,089,709.94	73.78%	0.60	2,556,339.75	2,556,339.75		Self-raised and borrowings
New annual 200,000 ton of fly ash cement ceramsite production project	0.57	30,122,443.49	7,334,946.36			37,457,389.85	65.71%	0.60	-	-		Self-raised and borrowings
Newsprint machine to cultural paper machine and related pulp line transformation (Headquarters)	3.72	1,426,602,125.57	167,055,466.90	1,593,657,592.47		-	0.00%	0.96				Self-raised and borrowings
Chemical pulp project (Meilun)	30.00	3,016,785,495.66	524,249,901.91			3,541,035,397.57	118.03%	0.95	181,512,616.75	44,222,151.40	5.47%	Self-raised and borrowings
High-end cultural paper (Meilun)	37.61	1,701,781,479.30	241,976,824.97	1,868,651,886.52		75,106,417.75	2.00%	0.98	64,161,971.31	22,003,288.79	5.47%	Self-raised and borrowings
Hanning mining magnesite deep processing project (Hanning)	18.50	486,501,551.60	107,044,396.19			593,545,947.79	32.09%	1.00	109,651,007.98	12,031,087.26	7.00%	Self-raised and borrowings
200,000-ton magnesite-alumina spinel project	8.50	558,876,283.14	235,635,002.60			794,511,285.74	93.47%	0.83	19,164,200.52	10,248,703.97	4.35%	Self-raised and borrowings
Huanggang Charming Forest and Paper Integration Project (Pulping Project) (Huanggang Charming)	34.85	3,685,150,078.66	447,209,747.75			4,052,359,826.41	116.28%	1.00	184,757,758.91	36,512,651.89	4.90%	Self-raised and borrowings
Biomass power generation project (southern district) (Huanggang Charming)	5.13	157,540,365.92	18,628,563.94			176,168,929.86	34.34%	1.00				Self-raised
Membrane treatment project (Zhanjiang Charming)	1.20	74,505,129.72				74,505,129.72	62.09%	0.80				Self-raised
Back pressure unit project (Zhanjiang Charming)	0.60	26,452,503.41				26,452,503.41	44.09%					Self-raised
Total	147.31	11,596,976,503.08	1,901,497,787.97	3,678,654,712.32	-	9,819,819,576.73		9.84	582,058,678.16	127,829,006.00	41.28%	-

X Financial Report

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

15. Construction in progress (Cont'd)

(3) Materials for project

Unit: RMB

Item	Book balance	Closing balance	Carrying amount	Book balance	Opening balance	Carrying amount
		Impairment provision			Impairment provision	
Special materials	10,356,344.40		10,356,344.40	9,856,470.22		9,856,470.22
Total	10,356,344.40		10,356,344.40	9,856,470.22		9,856,470.22

X Financial Report

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

16. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patents	Unpatented technology	Software	Total
I. Original carrying amount					
1. Opening balance	2,298,247,993.53		15,895,213.33	25,993,883.14	2,340,137,090.00
2. Increase for the period	1,768,215.95		110,016,542.11	355,074.82	112,139,832.88
(1) Acquisition	1,768,215.95		110,016,542.11	355,074.82	112,139,832.88
3. Decrease for the period	731,218.52				731,218.52
(1) Disposal	731,218.52				731,218.52
4. Closing balance	2,299,284,990.96		125,911,755.44	26,348,957.96	2,451,545,704.36
II. Accumulated amortisation					
1. Opening balance	379,242,063.35		1,705,104.30	19,834,647.37	400,781,815.02
2. Increase for the period	23,817,593.04		2,650,548.42	665,399.37	27,133,540.83
(1) Provision	23,817,593.04		2,650,548.42	665,399.37	27,133,540.83
3. Decrease for the period	731,218.52				731,218.52
(1) Provision	731,218.52				731,218.52
4. Closing balance	402,328,437.87		4,355,652.72	20,500,046.74	427,184,137.33
III. Impairment provision					
IV. Carrying amount					
1. Closing carrying amount	1,896,956,553.09		121,556,102.72	5,848,911.22	2,024,361,567.03
2. Opening carrying amount	1,919,005,930.18		14,190,109.03	6,159,235.77	1,939,355,274.98

17. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
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

X Financial Report

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

17. Goodwill (Cont'd)

(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

18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Railway expenses	6,969,901.98		352,407.30		6,617,494.68
Rentals	41,096,304.35		1,005,862.08		40,090,442.27
Woodland expenses	86,850,035.48		3,989,314.31		82,860,721.17
Total	134,916,241.81		5,347,583.69		129,568,658.12

19. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	1,075,169,307.43	251,697,134.87	1,009,229,761.95	201,814,843.08
Unrealised profit arising from intra-group transactions	86,406,080.32	21,601,520.08	53,691,645.13	13,422,911.28
Deductible loss	2,474,702,128.23	393,326,264.47	1,832,638,038.33	291,277,348.30
Outstanding payables	388,522,635.82	69,970,733.85	464,741,048.85	72,646,157.78
Deferred income	116,027,847.20	22,334,275.75	136,079,842.63	24,712,438.18
Total	4,140,827,999.00	758,929,929.02	3,496,380,336.89	603,873,698.62

X Financial Report

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

19. 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	198,361,935.86	293,812,600.65
Deductible loss	746,075,536.84	618,945,325.05
Total	944,437,472.70	912,757,925.70

(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
2019		58,075,279.70	
2020	62,162,599.80	68,154,676.89	
2021	67,536,762.75	79,493,561.61	
2022	80,679,499.21	91,517,702.92	
2023	318,817,137.26	321,704,103.93	
2024	216,879,537.82		
Total	746,075,536.84	618,945,325.05	-

20. Other non-current assets

Whether the New Standard for Revenue has been implemented

☒ Yes ☐ No

Unit: RMB

Item	Book balance	Closing balance Impairment provision	Carrying amount	Book balance	Opening balance Impairment provision	Carrying amount
Prepayments for properties	507,301,567.82		507,301,567.82	458,224,099.89		458,224,099.89
Prepayments for land				45,230,000.00		45,230,000.00
Prepayments for engineering	17,790,680.05		17,790,680.05	22,445,137.18		22,445,137.18
Prepayments for equipment	238,243,937.63		238,243,937.63	223,822,509.86		223,822,509.86
Deposits				36,000,000.00		36,000,000.00
Equity transfer or investment	1,896,662,879.24		1,896,662,879.24	694,000,000.00		694,000,000.00
Pre-paid expenses	26,037,702.96		26,037,702.96	42,771,382.73		42,771,382.73
Total	2,686,036,767.70		2,686,036,767.70	1,522,493,129.66		1,522,493,129.66

Other explanations: Equity transfer payment of RMB1,671,034,479.24 was used for the acquisition of equity interest in Nanyue Bank, and RMB39.5 million was used for investment in Weifang Chenming Growth Driver Replacement Fund.

X Financial Report

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

21. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	791,650,262.66	971,604,153.41
Mortgage borrowings	180,000,000.00	180,000,000.00
Guaranteed borrowings	9,444,577,202.39	9,918,242,061.05
Credit borrowings	10,720,238,621.90	7,531,565,147.43
Discounted borrowings	23,528,864,000.00	21,626,534,000.00
Total	44,665,330,086.95	40,227,945,361.89

22. Bills payable

Unit: RMB

Classification	Closing balance	Opening balance
Commercial acceptance bills	131,972,223.26	49,670,407.62
Bank acceptance bills	2,087,936,210.59	4,169,299,147.31
Total	2,219,908,433.85	4,218,969,554.93

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

23. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	4,013,299,860.41	3,566,507,866.14
1-2 years	383,179,342.06	261,760,924.33
2-3 years	56,927,131.28	80,120,125.97
Over 3 years	158,745,544.57	241,839,728.22
Total	4,612,151,878.32	4,150,228,644.66

X Financial Report

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

23. Accounts payable (Cont'd)

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
Guangxi Construction Engineering Group No. 1 Installation Co., Ltd.	28,486,702.84	Deposit for engineering
Anhui Transportation Navigation Engineering Co., Ltd.	17,854,000.00	Deposit for engineering
Institute 704 of China Shipbuilding Industry Corporation	13,217,264.90	Deposit for engineering equipment
China Light Industry Nanning Design Engineering Co., Ltd.	12,375,316.24	Deposit for engineering equipment
Shandong Shenhua Shanda Energy & Environment Co., Ltd.	11,736,736.36	Payment not demanded by the counterparty yet
Total	83,670,020.34	

24. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advance loans	639,444,833.26	419,540,133.74
Total	639,444,833.26	419,540,133.74

25. 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	135,108,374.13	640,959,206.39	668,093,665.86	107,973,914.66
II. Retirement benefit plan - defined contribution scheme	265,033.57	95,915,737.03	95,988,712.46	192,058.14
Total	135,373,407.70	736,874,943.42	764,082,378.32	108,165,972.80

X Financial Report

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

25. 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	45,776,603.50	510,410,269.53	531,270,016.44	24,916,856.59
2. Staff welfare	9,087,468.82	22,724,599.85	31,485,293.12	326,775.55
3. Social insurance premium	1,453,195.45	42,676,671.30	43,122,682.97	1,007,183.78
Of which: Medical insurance premium	484,700.11	36,927,845.19	37,412,545.30	0.00
Work-related injury insurance premium	2,559.91	2,442,599.94	2,312,567.58	132,592.27
Maternity insurance premium	962,031.66	3,306,226.17	3,393,666.32	874,591.51
Others	3,903.77	0.00	3,903.77	0.00
4. Housing provident funds	8,814,407.42	52,870,502.29	55,334,822.02	6,350,087.69
5. Union funds and workers' education	26,540,500.67	11,494,802.53	5,907,078.30	32,128,224.90
6. Other short-term remuneration	43,436,198.27	782,360.89	973,773.01	43,244,786.15
Total	135,108,374.13	640,959,206.39	668,093,665.86	107,973,914.66

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	13,533.34	92,381,476.43	92,395,009.77	0.00
2. Unemployment insurance	251,500.23	3,534,260.60	3,593,702.69	192,058.14
Total	265,033.57	95,915,737.03	95,988,712.46	192,058.14

X Financial Report

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

26. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	58,166,520.30	101,147,703.11
Enterprise income tax	191,803,093.04	279,044,478.52
Individual income tax	26,292,521.44	21,204,181.79
Urban maintenance and construction tax	3,751,037.26	1,675,884.94
Land use tax	8,684,907.55	16,727,507.78
Property tax	16,180,243.57	26,049,416.88
Educational surcharges and others	3,538,242.36	2,685,191.81
Stamp duty	2,538,931.67	3,116,833.81
Resource tax	1,404,501.92	
Environmental tax	1,924,023.08	
Total	314,284,022.19	451,651,198.64

27. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	163,355,268.55	226,788,777.59
Dividend payable	976,175,735.52	0.00
Other payables	2,089,128,817.62	1,550,929,239.89
Total	3,228,659,821.69	1,777,718,017.48

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	99,925,579.95	132,103,351.62
Interest payable on short-term borrowings	17,804,688.63	34,393,759.32
Interest on medium-term notes	45,624,999.97	60,291,666.65
Total	163,355,268.55	226,788,777.59

X Financial Report

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

27. Other payables (Cont'd)

(2) Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
A shares	400,780,244.16	0.00
B shares	169,532,463.84	0.00
H shares	126,793,260.00	0.00
Preference shares	279,069,767.52	0.00
Total	976,175,735.52	0.00

(3) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	627,042,165.66	164,919,560.22
Deposit	663,102,948.69	969,423,011.35
Accrued expenses	530,264,563.26	281,151,124.64
Others	268,719,140.01	135,435,543.68
Total	2,089,128,817.62	1,550,929,239.89

2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
Liaoning Beihai Industry Group Ltd.	74,643,475.03	Debt investment by a shareholder of a subsidiary as agreed
Shouguang Hengtai Enterprise Investment Co., Ltd.	45,977,444.73	Debt investment by a shareholder of a subsidiary as agreed
Nine Dragons Dawei Holdings Co., Ltd.	30,000,000.00	Deposit
State-Owned Shouguang Qingshuipo Farm	8,800,000.00	Deposit
Institute 704 of China Shipbuilding Industry Corporation	3,924,720.00	Deposit
Total	163,345,639.76	—

X Financial Report

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

28. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	2,399,108,063.18	4,234,248,448.36
Long-term payables due within one year	2,594,377,113.23	2,732,057,322.65
Other non-current liabilities due within one year	250,000,000.00	250,000,000.00
Total	5,243,485,176.41	7,216,305,771.01

29. Other current liabilities

Whether the New Standard for Revenue has been implemented

☒ Yes ☐ No

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	1,853,868,055.56	2,816,956,481.68
Total	1,853,868,055.56	2,816,956,481.68

X Financial Report

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

30. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledge borrowings	345,766,543.72	362,064,033.51
Secured borrowings	4,427,537,899.99	4,733,171,900.00
Guarantee borrowings	4,686,849,838.97	6,097,254,963.85
Credit borrowings	923,110,691.19	840,692,035.94
Less: Long-term borrowings due within 1 year	1,933,526,718.43	4,234,248,448.36
Total	8,449,738,255.44	7,798,934,484.94

Details of types long-term borrowings:

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year		
Long-term borrowings due within 1-2 years	2,037,389,007.22	2,032,389,007.22
Long-term borrowings due within 2-5 years	3,367,349,248.22	2,716,545,477.72
Long-term borrowings due over 5 years	3,045,000,000.00	3,050,000,000.00
Total	8,449,738,255.44	7,798,934,484.94

31. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming bond 01- Chenming Paper	1,198,890,000.00	1,198,710,000.00
18 Chenming bond 01- Chenming Paper	898,987,500.00	898,852,500.00
Total	2,097,877,500.00	2,097,562,500.00

X Financial Report

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

31. Bonds payable (Cont'd)

- (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
17 Chenming bond 01- Chenming Paper	1,200,000,000.00	2017/8/22	5年	1,198,200,000.00	1,198,710,000.00
18 Chenming bond 01- Chenming Paper	900,000,000.00	2018/4/2	5年	898,650,000.00	898,852,500.00
Total	2,100,000,000.00			2,096,850,000.00	2,097,562,500.00

(Cont'd)

Name of bond	Issue during the year	Interest at par value	Amortisation of premium/discount	Redemption during the year	Closing balance
17 Chenming bond 01- Chenming Paper			180,000.00		1,198,890,000.00
18 Chenming bond 01- Chenming Paper			135,000.00		898,987,500.00
Total			315,000.00		2,097,877,500.00

32. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	3,630,523,501.35	3,900,255,693.44
Total	3,630,523,501.35	3,900,255,693.44

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	164,190,103.51	167,083,436.84
China Development Bank Special funds	595,000,000.00	622,500,000.00
Financial leasing	5,408,761,794.56	5,842,729,579.25
Exploitation right	56,948,716.51	
Less: Due within 1 year	2,594,377,113.23	2,732,057,322.65
Total	3,630,523,501.35	3,900,255,693.44

X Financial Report

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

33. Provision

Unit: RMB

Item	Closing balance	Increase for the period	Decrease for the period	Opening balance	Reason
Provision	329,230,107.88	3,971,025.60		325,259,082.28	Losses from Arjo's lawsuit and recognised abandon costs for Haiming Mining
Total	329,230,107.88	3,971,025.60		325,259,082.28	-

Note: Haicheng Haiming Mining Co., Ltd., a controlled subsidiary of the Company, is expected to pay magnesite mine abandon costs.

34. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	1,862,395,197.61	-	56,873,237.36	1,805,521,960.25	
Total	1,862,395,197.61	-	56,873,237.36	1,805,521,960.25	-

X Financial Report

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

34. Deferred income (Cont'd)

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
Project fund for National technological support scheme	1,617,224.68			82,349.68			1,534,875.00	Asset-related
Sewage treatment and water conservation reconfiguration project	64,466,819.64			596,341.49			63,870,478.15	Asset-related
Financial grants for technological modification project	181,015,256.91		1,500.00	6,391,904.25			174,621,852.66	Asset-related
Special subsidy funds for environmental protection	749,420,276.75			24,595,985.72			724,824,291.03	Asset-related
Railway line change compensation	13,336,458.29			184,375.02			13,152,083.27	Asset-related
Interest subsidy	17,050,714.30			228,475.03			16,822,239.27	Asset-related
Logistics park project	51,960,000.00			-			51,960,000.00	Asset-related
Zhanjiang integrated forestry, pulp and paper project	93,506,446.64			2,047,316.46	22,364,612.22		69,094,517.96	Asset-related
Huanggang pulp-forestry-paper project	681,039,716.66			-			681,039,716.66	Asset-related
Others	8,982,283.74			380,377.49			8,601,906.25	Asset-related
Total	1,862,395,197.61		1,500.00	34,507,125.14	22,364,612.22		1,805,521,960.25	

X Financial Report

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

35. Other non-current liabilities

Whether the New Standard for Revenue has been implemented

☒ Yes ☐ No

Unit: RMB

Item	Closing balance	Opening balance
Medium-term notes	2,051,031,576.50	2,047,948,069.73
Wealth management direct financing instruments	250,000,000.00	250,000,000.00
Less: Other non-current liabilities due within one year	250,000,000.00	250,000,000.00
Total	2,051,031,576.50	2,047,948,069.73

36. Share capital

Unit: RMB

	Opening balance	New issue	Increase/decrease during the year(+/-)			Subtotal	Closing balance
			Bonus issue	Shares converted from reserves	Others		
Total number of shares	2,904,608,200.00						2,904,608,200.00

37. Other equity instruments

(1) Preference shares, perpetual bonds and other financial instruments outstanding at the end of the period

Item	Opening balance	Decrease for the		Closing balance
		Increase for the period	Decrease for the period	
Perpetual bonds	2,988,000,000.00			2,988,000,000.00
Preference shares	4,477,500,000.00			4,477,500,000.00
Total	7,465,500,000.00			7,465,500,000.00

(2) Changes in perpetual bonds outstanding at the end of the period

Unit: RMB

Outstanding financial instruments	Opening balance	Increase for the period	Decrease for the period	Closing balance
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	2,988,000,000.00			2,988,000,000.00

X Financial Report

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

37. Other equity instruments (Cont'd)

(3) Changes in perpetual bonds outstanding at the end of the period

Outstanding financial instruments	Opening balance	Increase for the period	Decrease for the period	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

38. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	4,421,127,407.93			4,421,127,407.93
Other capital reserves	670,322,507.21			670,322,507.21
Total	5,091,449,915.14			5,091,449,915.14

39. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before income tax for the period	During the period		Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority Shareholders after tax	Closing balance
			Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Less: Transferred from other comprehensive income in prior periods to retained earnings during the period				
Other comprehensive income to be reclassified to profit or loss in subsequent periods								
Exchange differences on translation of foreign operations	-736,520,181.01	-16,016,688.20				-16,016,688.20		-752,536,869.21
Total other comprehensive income	-736,520,181.01	-16,016,688.20				-16,016,688.20		-752,536,869.21

X Financial Report

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

40. Special reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Safety production	3,257,998.47	1,039,765.05	296,336.40	4,001,427.12
Total	3,257,998.47	1,039,765.05	296,336.40	4,001,427.12

41. Surplus reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserves	1,148,888,912.11			1,148,888,912.11
Total	1,148,888,912.11			1,148,888,912.11

42. Retained profit

Unit: RMB

Item	The period	The prior period (the same period last year)
Retained profit as at the end of the prior year before adjustment	9,107,422,690.85	8,866,614,844.40
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	9,107,422,690.85	8,866,614,844.40
Plus: Net profit for year attributable to shareholders of the parent company	509,795,572.29	1,784,631,025.31
Less: Transfer of statutory surplus reserves		
Ordinary dividend payable	697,105,968.00	1,161,843,280.20
Preferred shares interest payable	377,169,767.52	562,816,006.80
Retained profit as at the end of the year	8,542,942,527.62	8,926,586,582.71

X Financial Report

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

43. Revenue and operating cost

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	13,127,389,053.48	9,644,049,075.24	15,339,402,308.23	10,223,566,613.79
Other activities	221,259,060.22	110,048,724.58	211,931,731.66	36,318,305.07
Total	13,348,648,113.70	9,754,097,799.82	15,551,334,039.89	10,259,884,918.86

Whether the New Standard for Revenue has been implemented

☒ Yes ☐ No

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	11,561,215,578.29				11,561,215,578.29
Financial leasing		947,166,321.20			947,166,321.20
Magnesium mining			195,773,124.76		195,773,124.76
Electricity and steam	88,614,973.37			2,129,527.85	90,744,501.22
Construction materials				126,059,123.60	126,059,123.60
Paper chemicals	56,149,320.48				56,149,320.48
Hotel services				13,771,420.58	13,771,420.58
Others	203,468,152.83	24,521,500.95	724,488.32	129,054,581.47	357,768,723.57
Total	11,909,448,024.97	971,687,822.15	196,497,613.08	271,014,653.50	13,348,648,113.70

X Financial Report

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

44. Taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Urban maintenance and construction tax	33,491,970.50	29,431,549.79
Educational surcharges	30,083,061.41	23,321,557.68
Property tax	25,991,020.83	26,787,098.32
Land use tax	17,485,547.38	25,666,645.17
Vehicle and vessel tax	53,845.71	502,934.38
Stamp duty	10,950,170.18	11,344,290.23
Water engineering funds	1,634,705.86	1,937,359.03
Environmental tax	4,945,936.66	4,354,733.37
Water resource tax	9,852,286.53	6,163,044.01
Total	134,488,545.06	129,509,211.98

45. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	61,585,417.90	66,498,765.40
Depreciation expenses	6,288,587.94	6,739,186.02
Office expenses	1,758,975.11	2,024,990.87
Transportation expenses	425,245,830.59	438,096,633.12
Selling commissions	5,725,354.65	9,527,198.46
Cargo handling charges	7,716,321.23	6,447,682.56
Travel expenses	14,946,381.33	14,287,350.75
Business hospitality expenses	28,199,788.34	27,355,797.58
Warehouse expenses	1,080,149.47	1,622,562.73
Rental expenses	4,019,981.96	4,783,613.45
Others	34,018,168.95	28,079,544.77
Total	590,584,957.47	605,463,325.71

X Financial Report

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

46. General and administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	80,866,566.50	135,226,780.34
Welfare expenses	27,556,239.75	21,985,234.28
Labour insurance premium	37,651,636.41	22,172,367.80
Insurance premium	14,052,377.28	12,675,862.00
Depreciation expenses	114,171,603.76	106,354,515.61
Waste disposal expenses	5,411,881.45	5,684,105.91
Hospitality expenses	38,283,517.05	29,705,889.73
Amortisation of intangible assets	24,242,384.25	16,360,689.72
Production interruption loss	69,899,210.78	372,715.95
Repair fees	15,566,475.96	13,562,056.75
Others	134,715,506.06	130,741,450.46
Total	562,417,399.25	494,841,668.55

47. R&D expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Installation expenses	8,229,476.80	828,905.32
Depreciation expenses	18,616,150.51	19,938,607.46
Consumption of raw materials	181,729,065.27	227,337,001.14
Consumption of semi-finished products	61,663,204.78	58,506,944.19
Consumption of auxiliary materials	41,870,386.58	55,211,735.49
Travel expenses	1,574.18	143,842.00
Wages and surcharges	52,643,872.99	52,089,007.68
Welfare expenses	3,128,695.00	1,294,197.20
Housing provident funds	3,507,430.88	2,486,485.16
Insurance premium	8,344,818.02	5,502,576.84
Union funds	165,815.82	199,798.57
Utilities	50,274,197.98	53,656,094.31
Other expenses	1,309,027.25	819,658.74
Total	431,483,716.06	478,014,854.10

X Financial Report

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

48. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Finance expenses	1,650,075,404.49	1,720,741,207.21
Less: interest income	213,994,280.22	159,096,591.34
Less: capitalised interest amount	73,319,125.19	162,960,177.00
Foreign exchange gains and losses	-2,644,727.97	-16,373,292.86
Bank charges	156,731,452.69	116,517,298.68
Total	1,516,848,723.80	1,498,828,444.69

49. Other income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Government grants – amortised deferred income included in profit or loss	34,507,125.14	43,038,926.19
Government grants – directly included in profit or loss	4,324,165.50	16,633,350.69
Total	38,831,290.64	59,672,276.88

50. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	-9,467,172.97	-17,153,503.00
Investment gain on disposal of long-term equity investments		13,717,571.88
Investment gain on holding of available-for-sale financial assets		41,516,700.00
Investment gain on disposal financial assets measured at fair value through profit or loss		114,233,300.00
Total	-9,467,172.97	152,314,068.88

X Financial Report

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

51. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Gain on change in fair value of financial assets measured at fair value through profit or loss		-94,000,000.00
Consumable biological assets measured at fair value	-1,883,064.80	-23,973,841.55
Total	-1,883,064.80	-117,973,841.55

52. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of accounts receivable	62,440,283.34	
Total	62,440,283.34	

53. Loss on impairment of assets

Whether the New Standard for Revenue has been implemented

☒ Yes ☐ No

Unit: RMB

Item	Amount for the period	Amount for the prior period
Loss on inventory impairment and impairment loss of performance costs of contracts	-83,464,107.59	150,455,669.97
Total	-83,464,107.59	150,455,669.97

54. Asset disposal income

Unit: RMB

Source of asset disposal income	Amount for the period	Amount for the prior period
Net income from disposal of non-current assets	22,823,551.43	-2,210,048.63
Total	22,823,551.43	-2,210,048.63

X Financial Report

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

55. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Government grants	227,700,148.23	184,555,864.82	227,700,148.23
Others	9,772,444.74	7,076,692.53	9,772,444.74
Total	237,472,592.97	191,632,557.35	237,472,592.97

56. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Donation	3,041,000.00	5,000.00	3,041,000.00
Loss on destroyed and scrapped non-current assets	1,207,252.11		1,207,252.11
Others	801,876.08	441,221.32	801,876.08
Total	5,050,128.19	446,221.32	5,050,128.19

57. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	264,288,265.75	443,275,831.48
Deferred income tax expenses	-138,410,446.13	-9,073,718.98
Total	125,877,819.62	434,202,112.50

58. Other comprehensive income

Please refer to Note VII. 39 for details.

X Financial Report

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

59. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Finance support fund	184,083,293.99	196,283,019.84
Interest income	213,994,280.22	216,272,935.89
Open credit, and income from default penalty and fine	199,443,495.78	90,523,468.41
Net return of principal receivables relating to finance lease business	1,700,675,170.98	2,057,052,794.71
Total	2,298,196,240.97	2,560,132,218.85

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Expense and open credit	1,000,088,741.18	1,261,413,440.86
External security deposit of the Leasing Company		10,000,000.00
Total	1,000,088,741.18	1,271,413,440.86

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Asset-related government grants		11,194,100.00
Total		11,194,100.00

X Financial Report

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

59. Items on statements of cash flow (Cont'd)

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Compensation liability		103,042,210.54
Purchase of Goldtrust Futures equity interest	144,248,400.00	
Investment in Growth Driver Replacement	39,500,000.00	
Investment in Meite Environment	5,880,000.00	
Total	189,628,400.00	103,042,210.54

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Short-term commercial paper	1,887,185,904.00	8,204,965,097.95
Equipment financing	831,099,242.78	500,000,000.00
Debt financing receivable	400,071,077.96	135,622,410.95
Loan from the Finance Company	200,000,000.00	100,000,000.00
Shandong Financial Assets Exchange borrowings	161,337,302.32	
Total	3,479,693,527.06	8,940,587,508.90

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of short-term commercial paper	2,820,000,000.00	7,911,542,642.29
Repayment of matured bonds		579,511,229.15
Repayment of interest on preference shares	98,100,000.00	
Repayment of equipment leaseback	1,400,052,857.83	1,086,203,289.95
Increase in restricted bank deposits for the period	1,807,611,450.60	5,922,955,877.94
Repayment of borrowings from Chenming Holdings	330,800,000.00	
Total	6,456,564,308.43	15,500,213,039.33

X Financial Report

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

60. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	536,600,045.95	1,783,122,625.14
Plus: Provision for impairment of assets	-83,464,107.59	150,455,669.97
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of bearer biological assets	763,316,039.38	784,191,510.41
Amortisation of intangible assets	26,402,322.31	24,059,444.29
Amortisation of long-term prepaid expenses	5,347,583.69	16,218,441.95
Loss on disposal of fixed assets, intangible assets and other long-term assets ("—" denotes gain)	22,823,551.43	2,210,048.63
Loss on changes in fair value ("—" denotes gain)	-1,883,064.80	117,973,841.55
Finance expenses ("—" denotes gain)	1,516,848,723.80	1,584,988,775.97
Investment loss ("—" denotes gain)	-9,467,172.97	-152,438,125.48
Decrease in deferred income tax assets ("—" denotes increase)	-155,056,230.40	3,621,648.17
Decrease in inventories ("—" denotes increase)	-678,542,881.70	-385,938,273.77
Decrease in operating receivables ("—" denotes increase)	-282,017,217.78	-3,833,188,190.12
Increase in operating payables ("—" denotes decrease)	1,038,863,300.37	4,649,760,504.20
Net cash flows from operating activities	2,699,770,891.69	4,745,037,920.91
2. Major investing and financing activities not involving cash settlements:	—	—
3. Net change in cash and cash equivalents:	—	—
Closing balance of cash	2,009,063,231.38	3,530,985,289.73
Less: Opening balance of cash	2,381,558,242.53	2,804,408,374.46
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-372,495,011.15	726,576,915.27

X Financial Report

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

60. Supplementary information on cash flow statement (Cont'd)

(2) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	2,009,063,231.38	2,381,558,242.52
Of which: Treasury cash	2,316,388.38	2,078,321.66
Bank deposit that can be used for payment at any time	2,006,747,121.50	2,379,479,920.86
III. Balance of cash and cash equivalent as at end of period	2,009,063,231.38	2,381,558,242.52

Other explanation:

Cash and cash equivalents did not include the restricted cash and cash equivalents used by the Company or subsidiaries within the Group.

61. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	18,718,827,955.87	As guarantee deposits for bank acceptance bills, letter of credit, and bank borrowings deposits, and deposit reserves
Bills receivable collateral	624,106,580.39	As collateral for short-term borrowings, letters of guarantee and letters of credit
Fixed assets	9,433,004,439.14	As collateral for bank borrowings and long-term payables
Intangible assets	855,039,400.00	As collateral for bank borrowings and long-term payables
Investment properties	4,581,606,847.89	As collateral for bank borrowings
Total	34,212,585,223.29	—

X Financial Report

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

62. 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	53,951,809.15	6.87	370,902,496.61
EUR	1,370,658.67	7.81	5,273,015.00
HKD	125,418.66	0.88	110,325.78
JPY	101,532.00	0.06	6,479.37
Accounts receivables	—	—	
Of which: USD	57,294,935.90	6.87	404,634,355.39
EUR	4,797,586.69	7.81	37,506,151.76
HKD	—	0.88	—
JPY	146,734,998.00	0.06	9,364,040.63
Accounts payable	—	—	
Of which: USD	134,390,132.53	6.87	923,891,844.10
EUR	9,937,315.49	7.81	77,655,636.32
Other payables	—	—	
Of which: USD	5,870,562.01	6.87	40,358,352.65
EUR	407,344.91	7.81	3,184,215.16
HKD	655,647.38	0.88	574,820.89
JPY	31,428.00	0.06	2,005.61
Short-term borrowings	—	—	
Of which: USD	237,634,727.44	6.87	1,633,667,460.73
HKD	35,000,000.00	0.88	30,788,100.00
Long-term borrowings	—	—	
Of which: USD	471,864,591.76	6.87	3,243,927,508.97
EUR	26,820,000.00	7.81	209,651,940.00
Non-current liabilities due within one year			
Of which: USD	166,488,425.60	6.87	1,144,557,979.47
EUR	26,820,000.00	7.81	209,651,940.00

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

62. 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

63. Government grants

- (1) General information of government grants

Unit: RMB

Type	Amount	Reporting item	Amount accounted for in profit or loss
Government incentives	10,000.00	Non-operating income	10,000.00
Immediate VAT refund	275,104.76	Other income	275,104.76
Forestation subsidies	588,512.58	Non-operating income, other income	588,512.58
R&D subsidies	392,300.00	Non-operating income	392,300.00
Tax refund	33,984,039.89	Non-operating income, other income	33,984,039.89
Social security subsidies and post subsidies	135,853.85	Non-operating income	135,853.85
Enterprise reform development subsidies	160,161,518.76	Non-operating income, other income	160,161,518.76
Others	46,886.89	Other income	46,886.89
Environmental protection special subsidies	36,428,597.00	Non-operating income, other income	36,428,597.00

X Financial Report

VIII. Change in scope of consolidation

1. Change in scope of consolidation due to other reasons

During the reporting period, the scope of consolidation included 1 newly established subsidiary, namely Shanghai Pulp & Paper Sales Co., Ltd.

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 Supply	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
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	42.46	40.79	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	65.205		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

X Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding (%)		
				Acquisition	Direct	Indirect
Shouguang 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
Shouguang 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, USA	Los Angeles, USA	Paper product trading		100.00	Establishment
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 Paper Coated Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales	100.00		Establishment
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Loading and unloading	100.00		Establishment
Beijing Chenming Financial Leasing Co., Ltd.	Beijing, China	Beijing, China	Finance		100.00	Establishment
Chenming Paper United States Co., Ltd.	USA	3200 EL CAMINO REAL, SUITE130, IRVINE, CA	Paper trading	100.00		Establishment
Shanghai Pulp & Paper Sales Co., Ltd.	Shanghai, China	Shanghai, China	Sales of pulp and paper	100.00		Establishment

X Financial Report

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.	34.80%	2,917,703.06		87,394,258.81
Shouguang Chenming Art Paper Co., Ltd.	25.00%	8,114,816.70		89,392,132.13
Haicheng Haiming Mining Co., Ltd.	40.00%	18,062,982.75		162,380,423.51
Jiangxi Chenming Paper Co., Ltd.	16.75%	5,048,268.31	9,212,500.00	500,428,230.77

1. Interest in subsidiaries (Cont'd)

(3) Key financial information of major non-wholly owned subsidiaries

Unit: RMB

X Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(3) Key financial information of major non-wholly owned subsidiaries (Cont'd)

Unit: RMB

Name of subsidiary	Amount for the reporting period				Amount for the prior period			
	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.	596,359,764.41	4,370,822.22	4,370,822.22	-151,581,823.28	1,364,181,429.19	35,042,380.33	35,042,380.33	316,577,834.65
Shouguang Chenming Art Paper Co., Ltd.	373,470,955.30	32,459,266.81	32,459,266.81	4,414,114.47	909,260,241.77	118,652,095.44	118,652,095.44	-99,931,648.76
Haicheng Haiming Mining Co., Ltd.	208,675,941.50	45,157,456.87	45,157,456.87	32,185,353.30	421,599,693.66	126,380,989.01	126,380,989.01	75,115,059.89
Jiangxi Chenming Paper Co., Ltd.	1,450,118,569.52	30,148,002.08	30,148,002.08	331,918,952.83	1,611,920,231.56	69,140,492.85	69,140,492.85	659,823,787.57

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint ventures and associates	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Weifang Sime Darby West Port Co., Ltd.	Weifang, China	Weifang, China	Port construction	50.00		Equity method
Ningbo Qichen 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 engineering	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

X Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures

Unit: RMB

Item	Closing balance/Amount for the reporting period		Opening balance/Amount for the prior period	
	Weifang Sime Darby West Port Co., Ltd.	Weifang Xingxing United Chemical Co., Ltd	Weifang Sime Darby West Port Co., Ltd.	Weifang Xingxing United Chemical Co., Ltd
Current assets	30,816,393.13	114,409,623.25	55,386,175.28	97,755,183.56
Of which: Cash and cash equivalents	21,180,173.81	33,305,428.50	53,489,910.53	35,030,150.70
Non-current assets	550,319,128.35	32,702,466.79	528,403,804.86	38,098,361.81
Total assets	581,135,521.48	147,112,090.04	583,789,980.14	135,853,545.37
Current liabilities	14,456,779.54	35,381,769.82	1,236,372.30	32,584,182.76
Non-current liabilities	391,067,611.12		389,620,042.41	
Total liabilities	405,524,390.66	35,381,769.82	390,856,414.71	32,584,182.76
Minority interests				
Equity interest attributable to shareholders of the parent company	175,611,130.82	111,730,320.22	192,933,565.43	103,269,362.61
Share of net assets based on shareholding	87,805,565.41	55,865,160.11	96,466,782.72	51,634,681.31
Adjustments				
– Goodwill				
– Unrealised profit arising from intra-group transactions				
– Others			6,693,074.99	57,618,555.81
Carrying amount of investment in joint ventures	95,190,010.73	113,352,838.10	103,159,857.71	109,253,237.12
Fair value of investments in joint ventures with public quoted prices				
Revenue	7,744,022.16	78,509,386.24		166,613,896.54
Finance expenses	10,159,513.72	-261,143.08	-346,852.57	-8,403.59
Income tax expenses		2,733,067.31		
Net profit	-15,939,693.96	8,199,201.95	-3,214,369.59	26,370,424.95
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	-15,939,693.96	8,199,201.95	-3,214,369.59	26,370,424.95
Dividend received from joint ventures during the period				

X Financial Report

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

Item	Closing balance/Amount for the reporting period		Opening balance/Amount for the reporting period	
	Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)
Current assets	59,343,061.91	5,709,651.76	79,292,150.81	5,492,635.42
Non-current assets	140,950,006.00	99,020,000.00	119,000,000.00	99,020,000.00
Total assets	200,293,067.91	104,729,651.76	198,292,150.81	104,512,635.42
Current liabilities	14,232.41	5,000.00	13,135.40	5,000.00
Non-current liabilities				
Total liabilities	14,232.41	5,000.00	13,135.40	5,000.00
Minority interests				
Equity interest attributable to shareholders of the parent company	200,278,835.50	104,724,651.76	198,279,015.41	104,507,635.42
Share of net assets based on shareholding	80,111,534.20	52,362,325.89	79,311,606.16	52,253,817.72
Carrying amount of investment in associates	200,384,677.01	52,362,315.04	199,585,216.93	52,253,817.72
Revenue				
Net profit	1,998,750.11	217,016.34	1,510,109.81	670,768.61
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	1,998,750.11	217,016.34	1,510,109.81	670,768.61

(4) Summary financial information of non-major joint ventures and associates

Unit: RMB

Item	Closing balance/ Amount for the year	Opening balance/ Amount for the prior year
Joint ventures:		
Total carrying amount of investment	4,048,295.87	3,572,834.79
Total amount of the following items based on shareholding	975,461.08	485,538.07
– Net profit	975,461.08	485,538.07
Associates:		
Total carrying amount of investment	9,368,973.06	18,761,580.99
Total amount of the following items based on shareholding	-18,325,737.46	-11,838,692.59
– Net profit	-18,325,737.46	-11,838,692.59

X Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(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
Xuchang Chenming Paper Co., Ltd.		4,091,767.83	4,091,767.83

X. Fair value

1. Fair value of assets and liabilities measured at fair value as at the end of the period

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement at fair value	--	--	--	--
1. Other non-current financial assets	--	--	765,160,000.00	765,160,000.00
2. Biological assets				
Consumable biological assets			1,532,910,693.20	1,532,910,693.20
Total assets continuously measured at fair value			2,298,070,693.20	2,298,070,693.20

Note: as the Company's shareholding in the investee is low without significant influence, it is not practicable to adopt the income approach or the market approach for the valuation of the shareholding in the investee. Moreover, there was no recent introduction of external investor or equity transfer among the shareholders to serve as a reference for the determination of fair value, which may be classified as "limited circumstances" for the best estimate of fair value at cost. Thus, the fair value of other non-current financial assets was measured at cost at the end of the year.

2. 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%	-33,202,809.15	-33,202,809.15	-39,808,078.34	-39,808,078.34
Consumable biological assets	Decreases by 1%	36,397,424.88	36,397,424.88	43,368,412.26	43,368,412.26

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.

X Financial Report

X. Fair value (Cont'd)

3. 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.

XI. 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	123,878.77	27.87%	27.87%

Note: 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	An associate of the Company
Zhuhai Dechen New Third Board Equity Investment	
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 United Chemical Co., Ltd.	A joint venture of the Company

X Financial Report

XI. 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 Directors
Wuhan Chenming Zhongjin Real Estate Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Directors
Wuhan Rongsheng Zhongjin Development and Investment Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Directors
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 in the past twelve months

X Financial Report

XI. 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 heavy oil, etc.	112,367,700.00	600,000,000.00	No	170,147,411.87
Weifang Xingxing United Chemical Co., Ltd.	Procurement of hydrogen peroxide etc.	45,877,683.03			

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	3,980,581.15	2,669,745.03
Shouguang Huixin Construction Materials Co., Ltd.	Machinery materials	34,785.90	49,464.70

X Financial Report

XI. 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 Sime Darby West Port Co., Ltd.	135,000,000.00	2017/12/20	2027/12/20	No
Shandong Chenming Paper Sales Co., Ltd.	130,000,000.00	2018/7/4	2019/7/5	No
Shandong Chenming Paper Sales Co., Ltd.	420,000,000.00	2018/7/23	2019/7/24	No
Shandong Chenming Paper Sales Co., Ltd.	300,000,000.00	2018/10/26	2019/10/26	No
Shandong Chenming Paper Sales Co., Ltd.	450,000,000.00	2018/11/14	2019/11/14	No
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2019/1/24	2020/1/16	No
Shandong Chenming Paper Sales Co., Ltd.	254,291,455.72	2019/3/13	2019/9/10	No
Shandong Chenming Paper Sales Co., Ltd.	50,000,000.00	2019/3/19	2020/3/13	No
Shandong Chenming Paper Sales Co., Ltd.	200,000,000.00	2019/4/2	2019/9/30	No
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2019/5/17	2019/11/17	No
Shandong Chenming Paper Sales Co., Ltd.	420,118,552.64	2019/5/21	2019/11/18	No
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2019/5/23	2019/11/23	No
Shandong Chenming Paper Sales Co., Ltd.	150,000,000.00	2019/5/29	2020/5/28	No
Shouguang Meilun Paper Co., Ltd.	23,812,304.93	2019/1/3	2019/7/2	No
Shouguang Meilun Paper Co., Ltd.	96,352,478.17	2019/4/17	2019/10/15	No
Shouguang Meilun Paper Co., Ltd.	106,211,387.85	2019/6/13	2019/12/10	No
Shouguang Meilun Paper Co., Ltd.	27,867,187.19	2019/6/25	2019/12/23	No
Shouguang Meilun Paper Co., Ltd.	170,000,000.00	2018/12/11	2019/12/6	No
Shouguang Meilun Paper Co., Ltd.	249,348,278.62	2019/2/19	2019/8/19	No
Chenming (HK) Limited	57,060,010.00	2018/8/8	2019/7/15	No
Chenming (HK) Limited	96,933,270.00	2018/8/10	2019/7/15	No
Chenming (HK) Limited	226,383,871.00	2018/11/19	2019/11/8	No
Chenming (HK) Limited	65,309,650.00	2018/12/7	2019/12/6	No
Chenming (HK) Limited	200,000,000.00	2018/12/5	2019/12/5	No
Chenming (HK) Limited	97,139,511.00	2019/3/26	2020/3/16	No
Chenming (HK) Limited	278,837,832.00	2019/6/19	2020/6/10	No
Chenming (HK) Limited	30,788,100.00	2019/1/12	2020/1/10	No
Chenming (HK) Limited	150,968,412.00	2018/4/23	2021/4/7	No
Chenming (HK) Limited	86,621,220.00	2018/5/4	2021/4/6	No
Chenming (HK) Limited	54,447,624.00	2018/5/17	2021/5/5	No
Chenming (HK) Limited	254,939,000.28	2018/8/8	2021/5/25	No
Chenming (HK) Limited	254,939,000.28	2018/8/8	2021/5/25	No
Chenming (HK) Limited	290,627,942.50	2018/9/4	2021/6/21	No
Chenming (HK) Limited	290,627,942.50	2018/9/6	2021/6/21	No
Chenming (HK) Limited	193,179,070.00	2018/11/30	2020/10/30	No

X Financial Report

XI. 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	163,274,125.00	2019/1/25	2021/5/21	No
Chenming (HK) Limited	103,120,500.00	2019/3/28	2022/1/7	No
Chenming (HK) Limited	103,120,500.00	2019/3/28	2021/6/16	No
Chenming (HK) Limited	202,356,794.50	2019/4/2	2022/1/6	No
Chenming (HK) Limited	202,356,794.50	2019/4/2	2021/6/10	No
Chenming (HK) Limited	138,181,470.00	2019/4/30	2022/4/22	No
Chenming (HK) Limited	288,737,400.00	2016/11/2	2019/9/10	No
Chenming (HK) Limited	281,862,700.00	2017/11/7	2019/9/30	No
Chenming (HK) Limited	96,245,800.00	2018/5/11	2020/4/11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,730,254.39	2018/7/27	2019/7/21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2018/8/31	2019/8/16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2018/9/13	2019/9/12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	2018/10/17	2019/10/17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2018/10/12	2019/10/11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2018/10/17	2019/9/27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,903,967.00	2018/10/17	2019/10/17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	76,000,000.00	2018/10/19	2019/10/19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	2018/11/6	2019/11/4	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2018/11/12	2019/11/12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	166,670,000.00	2018/11/9	2019/11/8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	97,116,354.19	2018/12/3	2019/11/25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2018/12/20	2019/12/19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2018/12/26	2019/12/25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	154,898,103.49	2019/1/10	2019/6/29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	2019/1/28	2019/7/28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	450,000,000.00	2019/1/30	2020/1/29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,600,977.22	2019/2/2	2020/1/31	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019/1/8	2019/12/31	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	87,552,473.94	2019/1/18	2019/7/16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019/1/14	2020/1/13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	2019/1/22	2020/1/21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019/2/15	2020/2/14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2019/3/22	2020/3/22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	42,400,000.00	2019/4/12	2019/10/9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,600,000.00	2019/4/23	2019/10/23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	82,000,000.00	2019/4/28	2019/10/28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	89,000,000.00	2019/6/3	2020/6/2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	120,000,000.00	2019/6/27	2020/6/26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	343,735,000.00	2019/2/14	2020/2/2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	92,324,988.00	2019/1/22	2019/12/20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	95,180,400.00	2019/2/15	2019/8/14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	34,877,540.01	2019/5/30	2019/11/20	No

X Financial Report

XI. 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.	19,439,919.66	2019/6/10	2019/8/2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	22,500,000.00	2015/6/3	2020/5/21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,436,390.00	2015/6/5	2020/5/21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	137,494,000.00	2017/12/21	2019/12/20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,000,000.00	2018/2/13	2020/2/11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	2018/2/23	2020/2/11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	2018/2/26	2020/2/11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2018/2/28	2020/2/11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	330,000,000.00	2018/10/31	2020/10/30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2018/10/31	2020/10/30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2018/12/18	2020/10/31	No
Jiangxi Chenming Paper Co., Ltd.	99,000,000.00	2018/7/10	2019/7/8	No
Jiangxi Chenming Paper Co., Ltd.	51,000,000.00	2018/8/16	2019/8/14	No
Jiangxi Chenming Paper Co., Ltd.	28,000,000.00	2018/8/24	2019/8/24	No
Jiangxi Chenming Paper Co., Ltd.	64,285,135.36	2019/1/7	2020/1/7	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2019/1/18	2020/1/15	No
Jiangxi Chenming Paper Co., Ltd.	46,800,000.00	2019/2/28	2020/2/28	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2019/3/15	2020/3/14	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2019/3/21	2020/3/21	No
Jiangxi Chenming Paper Co., Ltd.	90,000,000.00	2019/3/29	2020/3/29	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2019/3/29	2020/3/29	No
Shandong Chenming Financial Leasing Co., Ltd.	72,000,000.00	2018/11/7	2019/11/7	No
Shandong Chenming Financial Leasing Co., Ltd.	60,000,000.00	2018/10/17	2019/10/17	No
Guangzhou Chenming Financial Leasing Co., Ltd.	180,000,000.00	2018/9/13	2018/9/9	No
Jilin Chenming Paper Co., Ltd.	40,000,000.00	2019/3/15	2020/1/17	No
Jilin Chenming Paper Co., Ltd.	20,010,000.00	2019/2/26	2019/8/26	No
Jilin Chenming Paper Co., Ltd.	23,398,200.00	2019/5/7	2020/5/8	No
Jilin Chenming Paper Co., Ltd.	48,600,000.00	2019/5/7	2020/5/8	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,770,000.00	2015/12/14	2019/9/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	27,070,000.00	2015/12/14	2019/12/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	5,700,000.00	2016/6/24	2019/12/26	No

X Financial Report

XI. 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.	32,770,000.00	2016/6/24	2020/3/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	530,000.00	2016/6/24	2020/6/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,240,000.00	2017/1/5	2020/6/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	2017/1/5	2020/9/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	2017/1/5	2020/12/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	2017/1/5	2021/3/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	2017/1/5	2021/6/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	3,900,000.00	2017/1/5	2021/9/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	36,260,000.00	2017/2/3	2021/9/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017/2/3	2021/12/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017/2/3	2022/3/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	33,420,000.00	2017/2/3	2022/6/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	44,531,362.58	2018/9/19	2020/6/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,642,107.09	2018/11/14	2020/11/14	No
Huanggang Chenming Pulp & Paper Co., Ltd.	66,702,050.00	2016/12/5	2019/9/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	41,747,636.00	2016/12/5	2019/12/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	24,954,414.00	2017/4/12	2019/12/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	66,702,050.00	2017/4/12	2020/3/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	9,693,533.74	2017/4/12	2020/6/26	No
Total	14,266,427,041.35			

X Financial Report

XI. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(3) Related party lending and borrowing (Cont'd)

Unit: RMB

Related party	Borrowing amount	Starting date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	162,000,000.00	2018/8/28	2019/7/17	
Lending				
Weifang Sime Darby West Port Co., Ltd.	59,500,000.00	2018/7/9	2022/7/8	

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Closing balance		Opening balance	
	Book balance	Bad debt	Book balance	Bad debt
Accounts receivable:				
Shouguang Huixin Construction Materials Co., Ltd.	18,892,073.10	944,603.66	12,960,322.42	648,016.12
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	979,382.80	48,969.14	774,832.20	38,741.61
Total	19,666,905.30	1,719,435.86	13,735,154.62	1,422,848.32
Prepayments:				
Jiangxi Chenming Natural Gas Co., Ltd.	25,391,023.96		33,567,041.92	
Shouguang Chenming Natural Gas Co., Ltd.	33,144,533.81		25,586,691.33	
Total	58,535,557.77		59,153,733.25	
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
Weifang Sime Darby West Port Co., Ltd.	62,631,878.08	313,159.38	60,836,961.43	304,184.80
Total	63,823,583.16	1,504,864.46	62,028,666.51	1,495,889.88

X Financial Report

XI. Related parties and related party transactions (Cont'd)

6. Related party accounts receivable and accounts payable (Cont'd)

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable:	Weifang Xingxing United Chemical Co., Ltd.	15,861,358.40	18,544,025.96
Total		15,861,358.40	18,544,025.96
Other payables	Chenming Holdings Co., Ltd.	45,200,000.00	376,000,000.00
Other payables	Shouguang Hengtai Enterprise Investment Company Limited	45,977,444.73	44,392,007.69
Total		111,177,444.73	420,392,007.69

XII. Undertaking and contingency

1. Undertaking

(1) Capital commitment

Item	Closing balance	Opening balance
Commitments in relation to acquisition and construction of long-term assets	1,930,608,190.17	1,463,816,242.90
Total	1,930,608,190.17	1,463,816,242.90

(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	4,579,873.34	5,315,217.18
The second year after balance sheet date	4,543,786.76	4,929,546.64
The third year after balance sheet date	4,406,104.83	4,406,104.83
In the years thereafter	86,588,438.29	86,672,608.29
Total	100,118,203.22	101,323,476.94

XII. Undertaking and contingency (Cont'd)

2. Contingency

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 30 June 2019, 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.

XIII. Post-balance sheet event

The 2018 profit distribution plan was approved at the 2018 annual general meeting, based on the total ordinary share capital of 2,904,608,200 shares, a cash dividend of RMB2.4 (tax inclusive) per 10 shares was distributed to ordinary shareholders 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 simulated ordinary shares converted from the preference shares was distributed to holders of preference shares. No bonus shares were issued and no capitalisation issue was made out of the reserves. A cash dividend of RMB697,105,968 was distributed to ordinary shareholders and a variable cash dividend of RMB279,069,767.52 was distributed to holders of preference shares. On 9 August, the above distribution plan was implemented.

On 7 August 2019, Meilun (BVI) Limited, an overseas wholly-owned subsidiary of the Company, issued a total of USD163 million USD bond on Hong Kong Stock Exchange with an interest rate of 9% and a term of less than 3 years.

X Financial Report

XIV. Other material matters

1. Segment information

Unit: RMB0,000

Item	Machine-made paper	Financial services	Magnesium ore	Others	Inter-segment elimination	Total
Income from principal activities	1,160,238.19	125,508.31	19,577.31	44,544.25	37,129.15	1,312,738.91
Cost for principal activities	913,857.99	48,814.34	9,642.65	34,516.92	42,426.99	964,404.91
Total assets	10,023,910.58	3,860,864.11	238,537.54	962,885.92	4,430,323.05	10,655,875.10
Total liabilities	7,773,740.88	2,171,651.27	200,544.39	475,448.24	2,496,462.66	8,124,922.12

XV. Notes to major financial statement items of the parent company

1. Accounts receivable

(1) Accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable assessed individually for impairment										
Accounts receivable assessed collectively for impairment	108,478,376.23	100.00%	2,259,459.50	2.08%	106,218,916.73	1,349,962,797.42	100%	685,832.38	0.05%	1,349,276,965.04
Of which:										
Accounts receivable from related parties	78,081,188.56	71.98%			78,081,188.56	1,342,192,951.98	99.42%			1,342,192,951.98
Accounts receivable from distributor clients	30,397,187.67	28.02%	2,259,459.50	7.43%	28,137,728.17	7,769,845.44	0.58%	685,832.38	8.83%	7,084,013.06
Total	108,478,376.23	100.00%	2,259,459.50	2.08%	106,218,916.73	1,349,962,797.42	100%	685,832.38	0.05%	1,349,276,965.04

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

1. Accounts receivable (Cont'd)

(1) Accounts receivable by category (Cont'd)

Items assessed individually for impairment:

Accounts receivable with collective provision for bad debts based on receivables from distributor clients:

Unit: RMB

Ageing	Book balance	Closing balance Bad debts provision	Provision Percentage
Within 1 year	25,894,366.50	1,294,718.33	5.00%
1-2 years	—	—	—
2-3 years	4,422,600.00	884,520.00	20.00%
Over 3 years	80,221.17	80,221.17	100.00%
Total	30,397,187.67	2,259,459.50	7.43%

Disclosed by ageing:

Unit: RMB

Ageing	Closing balance
Within 1 year	101,045,250.65
1-2 years	—
2-3 years	5,173,666.08
Over 3 years	—
Total	106,218,916.73

(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	Changes in the period			Closing balance
		Provision	Recovery or reversal	Written off	
Accounts receivable with provision for bad debt	685,832.38	1,573,627.12			2,259,459.50
Total	685,832.38	1,573,627.12			2,259,459.50

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

1. Accounts receivable (Cont'd)

(3) 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 RMB71,592,434.10, which accounted for 66.00% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB1,152,813.34.

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivables	69,171,162.65	77,257,506.25
Dividend receivables	1,023,353,000.00	—
Other receivables	16,638,073,989.28	19,328,057,454.99
Total	17,730,598,151.93	19,405,314,961.24

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Guarantee deposit	69,171,162.65	77,257,506.25
Total	69,171,162.65	77,257,506.25

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables (Cont'd)

(2) Dividend receivables

1) Classification of dividend receivable

Unit: RMB

Item	Closing balance	Opening balance
Dividend from subsidiaries	1,023,353,000.00	0.00
Total	1,023,353,000.00	0.00

(3) Other receivables

1) Other receivables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	16,661,132,245.22	19,342,458,869.77
Reserve and borrowings	8,808,936.90	7,681,197.42
Guarantee deposit	3,089,997.00	9,958,377.28
Insurance premium	584,881.11	466,935.72
Others	35,412,417.30	39,175,451.96
Total	16,709,028,477.53	19,399,740,832.15

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables (Cont'd)

(3) Other receivables (Cont'd)

2) Particulars of bad debt provision

Unit: RMB

	Phase 1 Expected credit loss in the next 12 months	Phase 2 Expected credit loss over the entire life (not credit- impaired)	Phase 3 Expected credit loss over the entire life (credit-impaired)	Total
Bad debt provision				
Balance as at 1 January				
2019 during the period	--	--	--	--
- Transferred into Phase 2		19,368,599,145.10		19,368,599,145.10
- Transferred into Phase 3			31,141,687.05	31,141,687.05
- Reversal to Phase 2				
- Reversal to Phase 1				
Provision for the year		27,621,897.02		27,621,897.02
Reversal for the year			28,350,785.93	28,350,785.93
Transfer for the year				
Writing-off for the year				
Other changes				
Balance as at 30 June 2019		68,163,587.13	2,790,901.12	70,954,488.25

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

☐ Applicable ☒ Not Applicable

By ageing

Unit: RMB

Ageing	Closing balance
Items within 1 year	16,610,734,001.40
1-2 years	19,685,064.18
2-3 years	7,654,923.70
Total	16,638,073,989.28

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables (Cont'd)

(3) Other receivables (Cont'd)

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 period		Closing balance
		Provision	Recovery or reversal	
Bad debt provision for other receivables	71,683,377.16	27,621,897.02	28,350,785.93	70,954,488.25
Total	71,683,377.16	27,621,897.02	28,350,785.93	70,954,488.25

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	5,614,741,821.77	Within 1 year	33.60	280,737,091.09
Shanghai Chenming Financial Leasing Co., Ltd.	Open credit	3,284,100,000.00	Within 1 year	19.66	164,205,000.00
Haicheng Haiming Mining Co., Ltd.	Open credit	1,549,545,947.16	Within 1 year	9.28	77,477,297.36
Huanggang Chenming Pulp & Paper Co., Ltd.	Open credit	1,529,415,162.57	Within 1 year	9.15	76,470,758.13
Shanghai Chenming Industrial Co., Ltd.	Open credit	1,440,416,829.83	Within 1 year	8.62	72,020,841.49
Total	-	13,418,219,761.33	-	80.31	670,910,988.07

5) Receivables in respect of government grant

Unit: RMB

Name of entity	Name of government grant	Closing balance	Closing age	Estimated time of receiving the grant and the amount and basis thereof
Shandong Chenming Paper Holdings Limited	Other corporate reformation and development grant	73,730,000.00	Within 1 month	Received on 5 July

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

3. Long-term equity investments

Unit: RMB

Item	Closing balance		Carrying amount	Opening balance		Carrying amount
	Book balance	Impairment provision		Book balance	Impairment provision	
Investment in subsidiaries	23,261,652,649.90		23,261,652,649.90	22,114,152,649.90		22,114,152,649.90
Investment in associates and joint ventures	359,964,936.91		359,964,936.91	373,264,793.34		373,264,793.34
Total	23,621,617,586.81		23,621,617,586.81	22,487,417,443.24		22,487,417,443.24

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

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

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance	Increase for the year	Decrease for the year	Closing balance	Impairment provision for the year	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.	1,250,000,000.00	1,000,000,000.00		2,250,000,000.00		
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.	264,493,210.21			264,493,210.21		
Shandong Grand View Hotel Co., Ltd.	80,500,000.00			80,500,000.00		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,027,500,000.00	27,500,000.00		5,055,000,000.00		
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		
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.	4,000,000,000.00			4,000,000,000.00		
Chenming Arboriculture Co., Ltd.	45,000,000.00			45,000,000.00		
Shanghai Chenming Industry Co., Ltd.	3,000,000,000.00			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		
Shandong Chenming Coated Paper Sales Co., Ltd.		20,000,000.00		20,000,000.00		
Shanghai Pulp & Paper Sales Co., Ltd.		100,000,000.00		100,000,000.00		
Total	22,114,152,649.90	1,147,500,000.00		23,261,652,649.90		

X Financial Report

XV. 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 recogniser under equity method	Change for the period Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance	Closing balance of impairment provision
I. Joint ventures											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	3,572,834.79			975,461.08			500,000.00			4,048,295.87	
Weifang Sime Darby West Port Co., Ltd.	103,159,857.71			-7,969,846.98						95,190,010.73	
Subtotal	106,732,692.50			-6,994,385.90			500,000.00			99,238,306.60	
II. Associates											
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	811,998.75			-480,747.58						331,251.17	
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,253,817.72			108,497.32						52,362,315.04	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	199,585,216.94			799,460.06						200,384,677.00	
Xuchang Chenming Paper Co., Ltd.	5,994,545.96			-5,994,545.96							
Chenming (Qingdao) Asset Management Co., Ltd.	7,886,521.47			-238,134.37						7,648,387.10	
Subtotal	266,532,100.84			-5,805,470.53						260,726,630.31	
Total	373,264,793.34			-12,799,856.43			500,000.00			359,964,936.91	

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

4. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	131,416,333.34	139,444,333.34
Dividend payable	976,175,735.52	
Other payables	4,207,524,162.48	5,326,044,557.18
Total	5,315,116,231.34	5,465,488,890.52

Other payables of the top five closing balances collected by the payee

Unit: RMB

Name of company	Closing balance
Zhanjiang Chenming Pulp & Paper Co., Ltd.	2,206,451,191.57
Shandong Chenming Financial Leasing Co., Ltd.	985,621,153.02
Jiangxi Chenming Paper Co., Ltd.	408,822,164.21
Shouguang Chenming Import and Export Trade Co., Ltd.	258,234,638.23
Shandong Chenming Power Supply Holdings Co., Ltd.	136,387,007.68
Total	3,995,516,156.71

5. Revenue and operating costs

Unit: RMB

Category	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Principal activities	2,237,163,494.68	1,674,925,035.20	2,300,997,002.45	1,522,148,043.23
Other activities	458,848,921.42	428,362,116.44	515,297,483.37	452,213,569.85
Total	2,696,012,416.10	2,103,287,151.64	2,816,294,485.82	1,974,361,613.08

X Financial Report

XV. Notes to major financial statement items of the parent company (Cont'd)

5. Revenue and operating costs (Cont'd)

Distribution of revenue

Unit: RMB

Type of contracts	Machine-made paper sectors	Materials	Utilities	Other sectors	Total
Machine-made paper sectors	2,237,163,494.68				2,237,163,494.68
Materials		367,750,475.36			367,750,475.36
Utilities			53,730,932.70		53,730,932.70
Other sectors				37,367,513.36	37,367,513.36
Total	2,237,163,494.68	367,750,475.36	53,730,932.70	37,367,513.36	2,696,012,416.10

6. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	-12,799,856.43	-4,078,127.09
Income from long-term equity investments accounted for using the cost method	1,023,353,000.00	
Investment income on holding of available-for-sale financial assets		41,516,700.00
Investment gain on disposal financial assets measured at fair value through profit or loss		114,233,300.00
Total	1,010,553,143.57	151,671,872.91

XVI. 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	23,358,777.37	
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	227,698,648.23	
Non-operating gains and losses other than the above items	4,188,590.61	
Gain or loss from change in fair value of consumable biological assets adopting fair value method for follow-up measurements	-1,883,064.80	
Less: Effect of income tax	46,750,425.02	
Effect of minority interest	-38,049.69	
Total	206,650,576.08	-

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

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	0.21%	0.013	0.013
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	-0.97%	-0.059	-0.059

Note: The net profit attributable to shareholders of the listed company has not deducted perpetual debt incurred interest and impact of dividends issued and declared by preference shares. When calculating the financial indicators of earnings per share and weighted average return on equity, the interest on perpetual bonds of RMB96,202,739.73 from January 1, 2019 to June 30, 2019 and the dividends issued and declared by preference shares of RMB377,169,767.52 in 2019 are deducted.

XVI. Supplementary information (Cont'd)

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

- (3) Reasons for differences in accounting data under domestic and overseas accounting standards. If the data audited by overseas audit institutions have been adjusted for differences, the name of the foreign institution shall be indicated.

4. Other

XI 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 interim report signed by the legal representative.
- (III) The original copies of all of the documents and announcements of the Company disclosed on the designated website as approved by China Securities Regulatory Commission during the reporting period.
- (VI) The interim report disclosed on The Stock Exchange of Hong Kong Limited.
- (V) Other relevant information.