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山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1812)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Shandong Chenming Paper Holdings Limited (the “**Company**”) published the “2018 Annual Report Summary of Shandong Chenming Paper Holdings Limited” dated 29 March 2019 on the website of Shenzhen Stock Exchange. The following is a translation of the official announcement solely for the purpose of providing information.

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

Shandong, PRC
29 March 2019

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

* *For identification purposes only*

Stock code: 000488, 200488

Stock abbreviation: Chenming Paper, Chenming B

Announcement No.: 2019-021

2018 Annual Report Summary of Shandong Chenming Paper Holdings Limited

I. IMPORTANT NOTICE

This annual report summary is extracted from the text of the annual report. For the full understanding of the operating results, financial position and plan for further development, investors should carefully read the text of the annual report published on the media as designated by the CSRC and the website of The Stock Exchange of Hong Kong Limited.

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

Non-standard auditor's opinion

Applicable Not applicable

Plans for profit distribution on ordinary shares or conversion of capital reserves into share capital proposed to the Board during the reporting period

Applicable Not applicable

Conversion of capital reserves into share capital

Applicable Not applicable

Based on the total ordinary share capital of 2,904,608,200 shares as at the end of 2018, a cash dividend of RMB2.4 (tax inclusive) per 10 shares or RMB697,105,968 will be distributed to ordinary shareholders. No capitalisation issue will be made out of the capital reserves, send bonus shares 0 shares (tax inclusive).

Plans for profit distribution on preference shares for the reporting period approved by the Board

Applicable Not applicable

Based on the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2018, a cash dividend of RMB2.4 (tax inclusive) per 10 shares will be distributed to holders of preference shares. A variable cash dividend of RMB279,069,767.52 will be distributed to holders of preference shares. In other words, a cash dividend of RMB6.20 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

Profit distribution for preference shares during the reporting period

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

II. BASIC INFORMATION ABOUT THE COMPANY

1. Company profile

Stock abbreviation	晨鸣纸业	Stock code	000488
	晨鸣B		200488
	晨鸣优01		140003
	晨鸣优02		140004
	晨鸣优03		140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	晨鸣纸业	Stock code	01812

Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited	
Contact persons and contact methods	Secretary to the Board	Hong Kong Company Secretary
Name	Yuan Xikun	Poon Shiu Cheong
Correspondence address	No. 2199 Nongsheng East Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong
Telephone	(86)-0536-2158008	(852)-2501 0088
Facsimile	(86)-0536-2158977	(852)-2501 0028
Email address	chenmmingpaper@163.com	kentpoon_1009@yahoo.com.hk

2. Principal activities or products during the reporting period

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

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

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

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

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

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

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

3. Major accounting data and financial indicators

(1) Major accounting data and financial indicators for the last three years

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

Yes No

Reason for retrospective adjustment or restatement

Correction of accounting errors

Unit: RMB

	2018	2017		Increase/decrease for the year as compared to the prior year	2016	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Revenue	28,875,756,163.56	29,851,743,848.13	29,472,453,563.98	-2.02%	22,907,118,241.84	22,566,922,464.31
Net profit attributable to shareholders of the Company	2,509,828,858.47	3,769,325,450.93	3,769,325,450.93	-33.41%	2,063,986,822.25	1,998,578,788.75
Net profit after extraordinary gains or losses attributable to shareholders of the Company	1,953,699,849.74	3,425,779,016.95	3,425,779,016.95	-42.97%	1,611,533,699.22	1,546,125,665.72
Net cash flows from operating activities	14,099,701,887.04	23,766,042.93	23,766,042.93	59,227.09%	2,153,049,269.84	2,153,049,269.84
Basic earnings per share (RMB per share)	0.51	1.13	1.13	54.87%	0.99	0.95
Diluted earnings per share (RMB per share)	0.51	1.13	1.13	54.87%	0.99	0.95
Rate of return on weighted average net assets	8.51%	15.80%	15.80%	Decreased by 7.29 percentage points	9.59%	9.23%
	As at the end of 2018	As at the end of 2017		Increase/decrease as at the end of the year compared to the end of the prior year (%)	As at the end of 2016	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets	105,318,734,827.82	105,625,096,076.92	105,625,096,076.92	-0.29%	82,285,354,532.15	82,285,354,532.15
Net assets attributable to shareholders of the Company	25,048,731,454.79	27,778,529,074.90	27,778,529,074.90	-9.83%	22,218,808,367.43	22,218,808,367.43

1. Correction of accounting errors

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

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

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

The net profit attributable to shareholders of the Company does not exclude the effect of the interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments and the effect of the dividends on preference shares under other equity instruments that have been considered and approved for distribution. When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on perpetual bonds of RMB347,140,000 and the dividends on preference shares of RMB679,141,006.88 during the reporting period are deducted.

3. Pursuant to the profit distribution plan for 2017 approved at the 2017 annual general meeting of the Company, based on the total ordinary share capital of 1,936,405,467 shares as at the end of 2017, a cash dividend of RMB6 (tax inclusive) per 10 shares was distributed to ordinary shareholders; and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held was distributed to ordinary shareholders. The Company's share capital increased by 968,202,733 shares. The earnings per share for the same period last year were also adjusted accordingly.

(2) Key accounting data by quarter

Unit: RMB

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

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

□ Yes √ No

4. Share capital and shareholders**(1) Number of holders of ordinary shares and preference shares with restored voting right and top 10 shareholders**

Unit: share

Total number of holders of ordinary shares as at the end of the reporting period	120,930, of which 100,438 were holders of A shares, 20,124 were holders of B shares and 368 were holders of H shares	Total number of holders of ordinary shares as at the end of the month prior to the disclosure date of the annual report	120,878, of which 100,369 were holders of A shares, 20,141 were holders of B shares and 368 were holders of H shares.	Total number of holders of preference shares with restored voting right as at the end of the reporting period	0	Total number of holders of preference shares with restored voting right as at the end of the month prior to the disclosure date of the annual report	0	
Shareholdings of holders of ordinary shares interested in more than 5% of the shares of the Company or top ten holders of ordinary shares								
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held as at the end of the reporting period	Increase/decrease for the reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up	
							Status of shares	Number
SHOUGUANG CHENMING HOLDINGS CO., LTD.	State-owned legal person	15.29%	444,146,128	4,640,643	0	444,146,128	Pledged	312,844,850
HKSCC NOMINEES LIMITED	Overseas legal person	12.85%	373,287,875	-13,000	0	373,287,875		
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		
NATIONAL SOCIAL SECURITY FUND 418	Others	0.64%	18,648,662	18,648,662	0	18,648,662		
AGRICULTURAL BANK OF CHINA LIMITED - CHINA CSI 500 ETF	Others	0.49%	14,166,450	8,504,574	0	14,166,450		
CHINA UNIVERSAL FUND - CHINA CONSTRUCTION BANK - CHINA LIFE INSURANCE - CHINA LIFE INSURANCE'S EQUITY PORTFOLIO ENTRUSTED TO CHINA UNIVERSAL FUND	Others	0.47%	13,701,360	11,978,760	0	13,701,360		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	12,912,357	0	0	12,912,357		
JIN Xing	Domestic nature person	0.40%	11,724,750	3,040,950	0	11,724,750		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.38%	10,997,408	1,865,300	0	10,997,408		
Related party relationship or acting in concert among the above shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence, they are persons acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Save for the above, it is not aware that any other holders of tradable shares are persons acting in concert. It is also not aware that any other holders of tradable shares are related to each other.							
Securities margin trading of top 10 ordinary shareholders, if any	Chenming Holdings Company Limited held 444,146,128 shares, of which 393,146,128 shares were held through ordinary account and 51,000,000 shares were held through credit guarantee security account.							

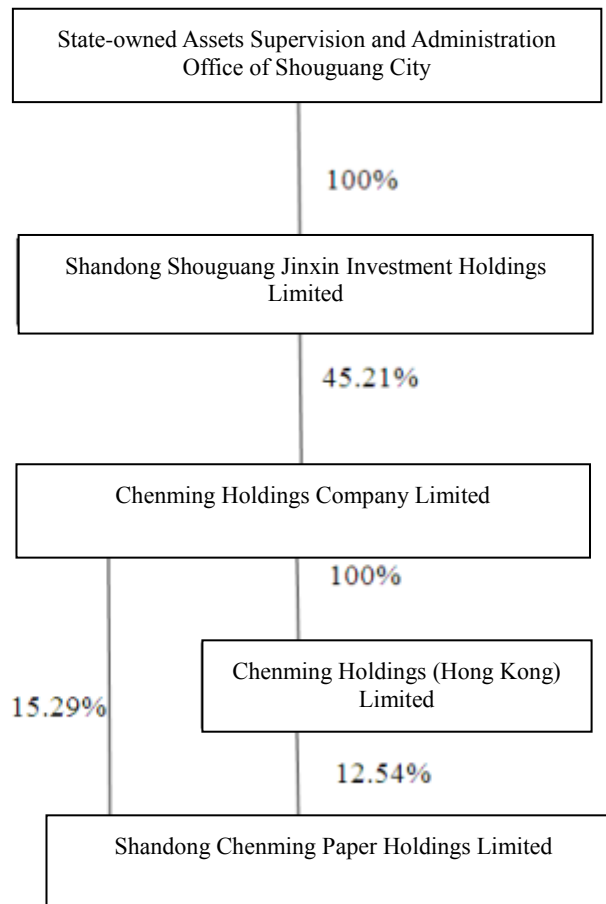
(2) Total number of holders of preference shares and top 10 holders of preference shares

√ Applicable □ Not applicable

Total number of holders of preference shares as at the end of the reporting period	7	Total number of holders of preference shares as at the end of the month prior to the disclosure date of the annual report	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	Percentage of shareholding	Number of shares held by the end of the reporting period	Increase/decrease for the reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up	
							Status of shares	Number
BEIJING YIBEN ZHONGXING INVESTMENT MANAGEMENT CO., LTD.	Domestic non-state-owned legal person	27.78%	12,500,000		0	12,500,000	Pledged	12,500,000
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000		0	10,100,000		
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000		0	6,400,000		
QILU BANK CO., LTD. - QILU BANK QUANXIN	Others	13.33%	6,000,000		0	6,000,000		

WEALTH MANAGEMENT PRODUCT SERIES								
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	11.11%	5,000,000		0	5,000,000		
SHANGHAI STATE-OWNED ASSETS OPERATION CO., LTD.	State-owned legal person	6.67%	3,000,000		0	3,000,000		
NCF - MINSHENG BANK - CHINA FORTUNE INTERNATIONAL TRUST - CHINA FORTUNE TRUST • MIN XIN NO. 11 SINGLE CAPITAL TRUST	Others	4.44%	2,000,000		0	2,000,000		
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		Among the above 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 any other holders of preference shares are persons acting in concert and it is also not aware that any above holders of preference shares and top ten holders of ordinary shares are related to each other.						

(3) Diagram showing proprietary ownership and controlling relationships among the Company and its de facto controller



5. 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 annual report or overdue but not fully settled?

Yes

(1) Basic information on corporate bonds

Name of bond	Bond abbreviation	Bond code	Maturity date	Outstanding amount of the bonds (RMB'0,000)	Interest rate
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The Public Issuance of Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2017 (Tranche I)	17 Chenming Bond 01	112570	21 August 2022	120,000	6.50%
The Public Issuance of Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2018 (Tranche I)	18 Chenming Bond 01	112641	2 April 2023	90,000	7.28%
Interest payment of corporate bonds during the reporting period	The payment of interest on 17 Chenming Bond 01 was completed on 21 August 2018. For details, please refer to the Announcement on 2018 Interest Payment for the Public Issuance of Corporate Bonds to Qualified Investors in 2017 (Tranche I) disclosed by the Company on 15 August 2018.				

(2) Latest credit rating and changes in rating of corporate bonds

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

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

(3) Major accounting data and financial indicators of the Company over the past two years as at the end of the reporting period

Unit: RMB 0'000

Item	2018	2017	Year-on-year increase/decrease in percentage
EBITDA	655,492.30	682,958.92	-3.85%
Current ratio	78.10%	86.32%	-8.03%
Gearing ratio	75.43%	71.34%	4.09%
Quick ratio	67.27%	75.80%	-8.53%
Proportion of EBITDA to total debts	8.25%	9.06%	-0.80%
Interest coverage ratio	1.87	2.83	-33.92%
Cash interest coverage ratio	3.84	0.01	38,300%
EBITDA interest coverage ratio	2.47	2.83	-12.72%
Loans payment ratio	100.00%	100.00%	-
Interest payment ratio	100.00%	100.00%	-

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

Applicable Not applicable

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

III. DISCUSSION AND ANALYSIS OF OPERATIONS

1. Operations during the reporting period

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

No

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

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

following aspects:

(I) Sales management

Facing the complex and ever-changing market conditions, the sales system persistently executed the decision and planning made by the management of the Company with a pioneering attitude in spite of challenges, thus opening up an unprecedented new dimension. 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 completely solved the difficulties and greatly improved the efficiency. With an innovative management model, the Company established daily work and corresponding measures at each level, thus charting a clear course for employees to proceed with their tasks. By implementing the weekly meeting system, the weekly appraisal measure and a performance-driven approach, the Company stimulated employees' diligence and determination, and enabled the sales teams to improve their work with fresh mentality.

(II) Product management

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

(III) Finance and financial capital management

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

(IV) Project construction

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

(V) Corporate management

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

2. Material change in principal activities during the reporting period

Yes No

3. Products accounting for over 10% of revenue or profit from principal activities of the Company

Applicable Not applicable

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/decrease of revenue as compared to the corresponding period of the prior year	Increase/decrease of operating costs as compared to the corresponding period of the prior year	Increase/decrease of gross profit margin as compared to the corresponding period of the prior year
Duplex press paper	6,155,644,742.23	4,518,550,774.15	26.60%	-3.35%	-3.47%	0.09%
Coated paper	4,697,177,229.03	3,407,051,401.87	27.47%	-14.44%	-10.49%	-3.20%
White paper board	6,440,247,745.66	5,395,302,715.50	16.23%	-6.75%	13.12%	-14.71%
Electrostatic paper	2,404,374,935.48	1,440,077,827.51	40.11%	1.39%	-4.23%	3.51%
Anti-sticking raw paper	1,208,193,494.70	728,105,243.01	39.74%	0.02%	-8.52%	5.63%
Financial leasing	2,202,061,690.16	167,892,149.50	92.38%	11.90%	-40.54%	6.72%

4. Seasonal or cyclical operations requiring special attention

Yes No

5. Material change in revenue, operating costs or net profit attributable to holders of ordinary shares of the Company for the reporting period from the last reporting period

Applicable Not applicable

Item	2018	2017	Increase (+) or decrease (-)	Change
Net profit attributable to shareholders of the company	2,509,828,858.47	3,769,325,450.93	-1,259,496,592.46	-33.41%

Note: The net profit attributable to shareholders of the Company decreased year on year by 33.41% due to an year-on-year decrease

in profitability as a result of the downturn of the paper making market in the second half of the year with a lower sales volume of the machine-made paper of the Company at lower prices, and the higher financing costs and increased finance expenses of the Company as affected the size of the banking industry subject to the financial deleveraging macro control policy implemented by the State.

6. Suspension in trading or delisting

Applicable Not applicable

7. Events relating to financial reporting

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

Applicable Not applicable

Change in accounting policies due to implementation of new standards

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

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

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

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

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

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

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

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

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

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

Applicable Not applicable

Correction of accounting errors	Procedures	Items affected in respective comparable period	Cumulative amount affected
Some of the financial leasing operations conducted by Shandong Chenming Financial Leasing Co., Ltd., a subsidiary of the Company, did not comply with laws. Hence, income arising from such	Reviewed and approved at the twelfth meeting of the eighth board of directors and the thirteenth meeting	Revenue from principal activities for 2017	-379,290,284.15
		Financial expenses for 2017	-379,290,284.15

operations shall recognise as interest income and interest expense instead of operating income and operation expense. The misstatement of items in the income statement did not affect the retained profit at the beginning of the period.	of the eighth board of supervisors in 2019	Revenue from principal activities for 2016	-340,195,777.53
		Financial expenses for 2016	-340,195,777.53
		Revenue from principal activities for 2015	-49,262,640.70
		Financial expenses for 2015	-49,262,640.70

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

Applicable Not applicable

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

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

Board of Directors of Shandong Chenming Paper Holdings Limited
29 March 2019