

Foshan Huaxin Packaging Co., Ltd.

Audit Report & Financial Statements

Y2012

Financial Statements

To all shareholders of Foshan Huaxin Packaging Co., Ltd.:

We have audited the attached financial statements of Foshan Huaxin Packaging Co., Ltd. (hereinafter referred to as “the Company”) which comprise the balance sheet and the consolidated balance sheet as at 31 Dec. 2012, the income statement and consolidated income statement, the cash flow statement and consolidated cash flow statement, the statement of changes in shareholders’ equity and consolidated statement of changes in shareholders’ equity as well as the notes to the financial statements.

I . Management’s responsibility for the financial statements

The management of the Company is responsible for the preparation of these financial statements and fair presentation. These responsibilities include: (1) preparing financial statements according to the Accounting Standards for Business Enterprises and make them a fair presentation; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II . Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Audit Standards for Chinese Registered Accountants, which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers the internal control related to the preparation and fair presentation of the financial statements so as to design proper audit procedures. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for us to express auditing opinion.

III. Audit opinion

In our opinion, the financial statements of the Company have been prepared, in all material aspects, according to the Enterprise Accounting Standards, which give a fair view of the Company’s financial position as at 31 Dec. 2012 and the Company’s operating results and cash flows for the year then ended.

II. Financial statements

Unit of statements in financial notes is: RMB Yuan

1. Consolidated balance sheet

Name of enterprise: Foshan Huaxin Packaging Co., Ltd.

Unit: RMB

Assets	Closing balance	Opening balance
Current assets:		
Monetary funds	478,856,596.14	369,971,131.96
Settlement reserve		
Lending to bank and other financial institutions		
Transactional financial assets		
Notes receivable	480,257,032.09	548,408,372.53
Accounts receivable	971,593,562.06	888,268,795.03
Accounts paid in advance	179,421,134.87	118,880,436.28
Premiums receivable		
Reinsurance accounts receivable		
Provision of cession receivable		
Interests receivable		
Dividend receivable		
Other receivables	29,274,074.78	56,916,425.36
Purchase of resale financial assets		
inventories	1,018,382,145.92	1,134,186,544.58
Non-current assets due within a year		
Other current assets		
Total current assets	3,157,784,545.86	3,116,631,705.74
Non-current assets:		
Offering entrusted financing and advances		
Available for sale financial assets	3,400,433.40	3,068,874.52
Hold to maturity investment		
Long-term receivables		
Long-term equity investment	6,785,408.47	211,929,691.07
Investing property	9,942,981.44	17,536,077.64

Fixed assets	2,979,056,238.05	3,073,556,521.92
Constructions in progress	79,155,016.60	12,727,295.10
Engineering materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	144,128,514.79	90,453,615.69
Development expenses		
Goodwill	11,547,305.29	9,129,025.01
Long-term deferred expenses	777,863.44	1,000,110.16
Deferred income tax assets	36,503,345.40	35,855,839.84
Other non-current assets		
Total non-current assets	3,271,297,106.88	3,455,257,050.95
Total assets	6,429,081,652.74	6,571,888,756.69
Current liabilities:		
Short-term borrowing	1,212,158,914.28	1,743,141,865.70
Loans from the central bank		
Deposits from customers and interbank		
Loans from other banks		
Transactional financial liabilities	0.00	0.00
Notes payable	21,440,149.18	86,277,224.67
Accounts payable	326,507,829.98	562,711,250.75
Account received in advance	28,987,800.81	114,240,243.39
Financial assets sold for repurchase		
Handling charges and commissions payable		
Employee's compensation payable	22,133,675.39	31,415,001.93
Tax payable	89,539,824.80	-19,030,839.75
Interest payable	25,040,571.55	25,163,209.41
Dividend payable	60,563,595.31	133,758.00
Other account payable	31,256,027.83	93,265,459.95
Reinsurance premiums payable		
Insurance contract reserves		

Payables for acting trading of securities		
Payables for acting underwriting of securities		
Non-current liabilities due within 1 year		230,000,000.00
Other current liabilities		
Total current liabilities	1,817,628,389.13	2,867,317,174.05
Non-current liabilities:		
Long-term borrowings		55,000,000.00
Bonds payable	796,481,868.00	
Long-term payables	529,400,000.00	500,000,000.00
Specific payables		
Estimated liabilities	2,967,023.46	1,796,063.48
Deferred income tax liabilities	5,449,332.25	182,141.16
Other non-current liabilities	2,636,000.00	1,692,000.00
Total non-current liabilities	1,336,934,223.71	558,670,204.64
Total liabilities	3,154,562,612.84	3,425,987,378.69
Owners' equity (or shareholders' equity)		
Paid-up capital (or share capital)	505,425,000.00	505,425,000.00
Capital reserves	262,091,190.27	261,972,921.55
Less: Treasury stock		
Specific reserves		
Surplus reserves	170,337,106.09	133,989,447.19
Provisions for general risks		
Retained profits	768,206,504.60	637,158,732.82
Foreign exchange difference		
Total equity attributable to owners of the Company	1,706,059,800.96	1,538,546,101.56
Minority interests	1,568,459,238.94	1,607,355,276.44
Total owners' (or shareholders') equity	3,274,519,039.90	3,145,901,378.00
Total liabilities and owners' (or shareholders') equity	6,429,081,652.74	6,571,888,756.69

Legal representative: Tong Laiming

Person-in-charge of the accounting work: Wang Qi

Person-in-charge of accounting firm: Ji Xiangdong

2. Balance sheet of the parent company

Name of enterprise: Foshan Huaxin Packaging Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	225,554,664.36	30,554,733.32
Transactional financial assets		
Notes receivable	130,108,953.66	
Accounts receivable	8,630,545.13	
Accounts paid in advance	73,114.00	73,114.00
Interest receivable		
Dividend receivable	30,918,655.65	
Other accounts receivable	1,433,928,505.44	1,026,750,178.61
Inventories		
Non-current assets due within 1 year		
Other current assets		
Total current assets	1,829,214,438.24	1,057,378,025.93
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	1,230,244,842.14	1,435,568,715.88
Investing property		
Fixed assets	532,270.08	1,441,267.10
Construction in progress		
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	32,582,437.02	539,040.00
R&D expense		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		

Other non-current assets		
Total of non-current assets	1,263,359,549.24	1,437,549,022.98
Total assets	3,092,573,987.48	2,494,927,048.91
Current liabilities:		
Short-term borrowings	95,000,000.00	405,000,000.00
Transactional financial liabilities		
Notes payable		
Accounts payable	8,630,545.13	
Accounts received in advance		
Employee's compensation payable	31,895.87	4,447.05
Tax payable	60,147,180.98	54,695.74
Interest payable	19,446,500.04	19,942,218.09
Dividend payable	247,700.00	133,758.00
Other accounts payable	3,409,374.44	63,004,596.00
Non-current liabilities due within 1 year		130,000,000.00
Other current liabilities		
Total current liabilities	186,913,196.46	618,139,714.88
Non-current liabilities:		
Long-term borrowings		30,000,000.00
Bonds payable	796,481,868.00	
Long-term payables	500,000,000.00	500,000,000.00
Specific payables		
Estimated liabilities		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	1,296,481,868.00	530,000,000.00
Total liabilities	1,483,395,064.46	1,148,139,714.88
Owners' equity (or shareholders' equity)		
Paid-up capital (or share capital)	505,425,000.00	505,425,000.00
Capital reserves	250,531,482.00	250,531,482.00
Less: Treasury stock		
Specific reserves		
Surplus reserves	170,337,106.09	133,989,447.19

Provision for general risks		
Retained profits	682,885,334.93	456,841,404.84
Foreign exchange difference		
Total owners' (or shareholders') equity	1,609,178,923.02	1,346,787,334.03
Total liabilities and owners' (or shareholders') equity	3,092,573,987.48	2,494,927,048.91

Legal representative: Tong Laiming

Person-in-charge of the accounting work: Wang Qi

Person-in-charge of accounting firm: Ji Xiangdong

3. Consolidated income statement

Name of enterprise: Foshan Huaxin Packaging Co., Ltd.

Unit: RMB

Item	Amount of current period	Amount of last term
I. Total operating revenues	3,646,702,240.82	4,026,523,768.59
Including: Sales income	3,646,702,240.82	4,026,523,768.59
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating cost	3,718,564,723.11	3,862,057,308.42
Including: Cost of sales	3,148,676,463.87	3,420,122,956.57
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	14,713,424.54	12,913,746.40
Selling expenses	181,936,273.76	165,058,597.26
Administrative expenses	156,324,336.38	134,658,974.85
Financial expenses	189,968,915.07	133,167,123.21
Asset impairment loss	26,945,309.49	-3,864,089.87

Add: Gain/(loss) from change in fair value ("-" means loss)		
Gain/(loss) from investment ("-" means loss)	331,056,847.85	58,652,084.23
Including: share of profits in associates and joint ventures	50,798,130.21	58,652,084.23
Foreign exchange gains ("-" means loss)		
III. Business profit ("-" means loss)	259,194,365.56	223,118,544.40
Add: non-operating income	18,151,556.67	7,139,226.93
Less: non-operating expense	2,218,709.98	2,975,471.82
Including: loss from non-current asset disposal	333,965.61	94,592.32
IV. Total profit ("-" means loss)	275,127,212.25	227,282,299.51
Less: Income tax expense	68,830,236.76	31,799,044.94
V. Net profit ("-" means loss)	206,296,975.49	195,483,254.57
Including: Net profit achieved by combined parties before the combinations		
Attributable to owners of the Company	268,480,430.68	111,933,677.75
Minority shareholders' income	-62,183,455.19	83,549,576.82
VI. Earnings per share	--	--
(I) Basic earnings per share	0.53	0.22
(II) Diluted earnings per share	0.53	0.22
VII. Other comprehensive incomes	281,825.04	-1,530,389.11
VIII. Total comprehensive incomes	206,578,800.53	193,952,865.46
Attributable to owners of the Company	286,598,699.40	111,291,445.37
Attributable to minority shareholders	-62,019,898.87	82,661,420.09

Where business mergers under the same control occurred in this report period, the net profit achieved by the merged parties before the business mergers was RMB 0.

Legal representative: Tong Laiming

Person-in-charge of the accounting work: Wang Qi

Person-in-charge of accounting firm: Ji Xiangdong

4. Income statement of the Company

Name of enterprise: Foshan Huaxin Packaging Co., Ltd.

Unit: RMB

Item	Amount of current period	Amount of last term
I. Total sales	77,551,972.88	0.00
Less: cost of sales	7,376,534.29	0.00
Business taxes and surcharges	4,014,035.10	
Distribution expenses		
Administrative expenses	10,680,043.24	11,317,230.29
Financial costs	-1,583,790.00	107,980.64
Impairment loss		
Add: gain/(loss) from change in fair value ("-" means loss)		
Gain/(loss) from investment ("-" means loss)	361,795,912.36	58,953,080.88
Including: income from investment on associates and joint ventures	50,618,539.07	58,955,870.78
II. Business profit ("-" means loss)	418,861,062.61	47,527,869.95
Add: non-business income	501,863.32	1,872.21
Less: non-business expense	45,257.00	
Including: loss from non-current asset disposal	45,257.00	
III. Total profit ("-" means loss)	419,317,668.93	47,529,742.16
Less: income tax expense	55,841,079.94	
IV. Net profit ("-" means loss)	363,476,588.99	47,529,742.16
V. Earnings per share	--	--
(I) Basic earnings per share	0.53	0.22
(II) Diluted earnings per share	0.53	0.22
VI. Other comprehensive income		
VII. Total comprehensive income	363,476,588.99	47,529,742.16

Legal representative: Tong Laiming

Person-in-charge of the accounting work: Wang Qi

Person-in-charge of accounting firm: Ji Xiangdong

5. Consolidated cash flow statement

Name of enterprise: Foshan Huaxin Packaging Co., Ltd.

Unit: RMB

Item	Amount of current period	Amount of last period
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	2,998,422,049.07	3,043,480,335.08
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of disposal of tradable financial assets		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received	492,270.26	302,150.61
Other cash received relating to operating activities	25,719,478.07	30,561,814.07
Subtotal of cash inflows from operating activities	3,024,633,797.40	3,074,344,299.76
Cash paid for goods and services	2,478,469,031.86	2,793,660,132.13
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling		

charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	189,727,075.07	192,567,223.17
Various taxes paid	136,395,645.85	180,126,158.24
Other cash payment relating to operating activities	200,877,448.36	116,226,108.21
Subtotal of cash outflows from operating activities	3,005,469,201.14	3,282,579,621.75
Net cash flows from operating activities	19,164,596.26	-208,235,321.99
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	409,527,933.24	
Cash received from return on investments	109,574,409.85	59,646,563.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	469,743.11	437,306.22
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	61,652,343.69	
Subtotal of cash inflows from investing activities	581,224,429.89	60,083,869.98
Cash paid to acquire fixed assets, intangible assets and other long-term assets	114,704,398.22	47,516,053.92
Cash paid for investment		
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	575,253.00	
Subtotal of cash outflows from investing activities	115,279,651.22	47,516,053.92
Net cash flows from investing activities	465,944,778.67	12,567,816.06
III. Cash Flows from Financing Activities:		
Cash received from capital	1,597,264.01	

contributions		
Including: Cash received from minority shareholder investments by subsidiaries	1,597,264.01	
Cash received from borrowings	2,880,606,250.76	2,261,870,870.63
Cash received from issuance of bonds	791,700,000.00	
Other cash received relating to financing activities		112,119,418.04
Subtotal of cash inflows from financing activities	3,673,903,514.77	2,373,990,288.67
Repayment of borrowings	3,719,636,653.94	1,948,133,675.35
Cash paid for interest expenses and distribution of dividends or profit	325,208,272.54	135,516,489.63
Including: dividends or profit paid by subsidiaries to minority shareholders	64,337,481.24	
Other cash payments relating to financing activities	99,964,606.92	1,927,552.35
Sub-total of cash outflows from financing activities	4,144,809,533.40	2,085,577,717.33
Net cash flows from financing activities	-470,906,018.63	288,412,571.34
IV. Effect of foreign exchange rate changes on cash and cash equivalents	108,969.32	-2,039,587.94
V. Net increase in cash and cash equivalents	14,312,325.62	90,705,477.47
Add: Opening balance of cash and cash equivalents	364,560,090.87	273,854,613.40
VI. Closing balance of cash and cash equivalents	378,872,416.49	364,560,090.87

Legal representative: Tong Laiming

Person-in-charge of the accounting work: Wang qi

Person-in-charge of accounting firm: Ji Xiangdong

6. Cash flow statement of the Company

Name of enterprise: Foshan Huaxin Packaging Co., Ltd.

Unit: RMB

Item	Amount of current period	Amount of last period
I. Cash flows from operating activities:		
Cash received from sale of	70,175,358.60	

commodities and rendering of service		
Tax refunds received		
Other cash received relating to operating activities	52,953,155.24	295,793,269.42
Subtotal of cash inflows from operating activities	123,128,513.84	295,793,269.42
Cash paid for goods and services		
Cash paid to and for employees	5,447,142.38	7,754,279.08
Various taxes paid	736,454.10	1,468,674.35
Other cash payment relating to operating activities	592,537,482.92	21,843,200.12
Subtotal of cash outflows from operating activities	598,721,079.40	31,066,153.55
Net cash flows from operating activities	-475,592,565.56	264,727,115.87
II. Cash flows from investing activities:		
Cash received from retraction of investments	409,527,933.24	
Cash received from return on investments	109,574,409.85	59,646,563.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	233,714.00	38,000.00
Net cash received from disposal of subsidiaries or other business units		2,997,210.10
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	519,336,057.09	62,681,773.86
Cash paid to acquire fixed assets, intangible assets and other long-term assets	14,109,395.00	95,624.00
Cash paid for investment		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	14,109,395.00	95,624.00

Net cash flows from investing activities	505,226,662.09	62,586,149.86
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings	1,241,700,000.00	440,000,000.00
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	1,241,700,000.00	440,000,000.00
Repayment of borrowings	920,000,000.00	683,000,000.00
Cash paid for interest expenses and distribution of dividends or profit	156,382,847.15	70,767,291.53
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	1,076,382,847.15	753,767,291.53
Net cash flows from financing activities	165,317,152.85	-313,767,291.53
IV. Effect of foreign exchange rate changes on cash and cash equivalents	48,681.66	
V. Net increase in cash and cash equivalents	194,999,931.04	13,545,974.20
Add: Opening balance of cash and cash equivalents	30,554,733.32	17,008,759.12
VI. Closing balance of cash and cash equivalents	225,554,664.36	30,554,733.32

Legal representative: Tong Laiming

Person-in-charge of the accounting work: Wang qi

Person-in-charge of accounting firm: Ji Xiangdong

7. Consolidated statement of changes in owners' equity

Name of enterprise: Foshan Huaxin Packaging Co., Ltd.

Amount of current period

Unit: RMB

Item	Amount of current period									
	Equity attributable to owners of the Company								Minority interests	Total owners'
	Paid-up	Capital	Less:	Specific	Surplus	General	Retaine	Others		

	capital (or share capital)	reserve	treasury stock	reserve	reserve	risk reserve	d profit			equity
I. Balance at the end of the previous year	505,425,000.00	261,972,921.55			133,989,447.19		637,158,732.82		1,607,355,276.44	3,145,901,378.00
Add: change of accounting policy										
Correction of errors in previous periods										
Other										
II. Balance at the beginning of the year	505,425,000.00	261,972,921.55			133,989,447.19		637,158,732.82		1,607,355,276.44	3,145,901,378.00
III. Increase/ decrease of amount in the year ("-" means decrease)		118,268.72			36,347,658.90		131,047,771.78		-38,896,037.50	128,617,661.90
(I) Net profit							268,480,430.68		-62,183,455.19	206,296,975.49
(II) Other comprehensive incomes		118,268.72							163,556.32	281,825.04
Subtotal of (I) and (II)		118,268.72					268,480,430.68		-62,019,898.87	206,578,800.53
(III) Capital paid in and reduced by owners									67,455,121.56	67,455,121.56
1. Capital paid in by owners									65,543,869.93	65,543,869.93
2. Amounts of share-based payments recognized in owners' equity										
3. Others									1,911,251.63	1,911,251.63
(IV) Profit distribution					36,347,658.90		-137,432,658.90		-44,331,260.19	-145,416,260.19
1. Appropriations to surplus reserves					36,347,658.90		-36,347,658.90			
2. Appropriations to general risk provisions										
3. Appropriations to owners (or shareholders)							-101,085,000.00		-44,331,260.19	-145,416,260.19

4. Other										
(V) Internal carry-forward of owners' equity										
1. New increase of capital (or share capital) from capital public reserves										
2. New increase of capital (or share capital) from surplus reserves										
3. Surplus reserves for making up losses										
4. Other										
(VI) Specific reserve										
1. Withdrawn for the period										
2. Used in the period										
(VII) Other										
IV. Closing balance	505,425,000.00	262,091,190.27			170,337,106.09		768,206,504.60		1,568,459,238.94	3,274,519,039.90

Last year

Unit: RMB

Item	Last year									
	Equity attributable to owners of the Company								Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Others		
I. Balance at the end of the previous year	505,425,000.00	262,615,153.93			129,236,472.97		529,978,029.29		1,524,693,856.35	2,951,948,512.54
Add: retrospective adjustments due to business combinations under the same control										
Add: change of accounting policy										
Correction of errors in previous periods										

Other										
II. Balance at the beginning of the year	505,425,000.00	262,615,153.93			129,236,472.97		529,978,029.29		1,524,693,856.35	2,951,948,512.54
III. Increase/ decrease of amount in the year (“-” means decrease)		-642,232.38			4,752,974.22		107,180,703.53		82,661,420.09	193,952,865.46
(I) Net profit							111,933,677.75		83,549,576.82	195,483,254.57
(II) Other comprehensive incomes		-642,232.38							-888,156.73	-1,530,389.11
Subtotal of (I) and (II)		-642,232.38					111,933,677.75		82,661,420.09	193,952,865.46
(III) Capital paid in and reduced by owners										
1. Capital paid in by owners										
2. Amounts of share-based payments recognized in owners' equity										
3. Others										
(IV) Profit distribution					4,752,974.22		-4,752,974.22			
1. Appropriations to surplus reserves					4,752,974.22		-4,752,974.22			
2. Appropriations to general risk provisions										
3. Appropriations to owners (or shareholders)										
4. Other										
(V) Internal carry-forward of owners' equity										
1. New increase of capital (or share capital) from capital public reserves										
2. New increase of capital (or share capital) from surplus reserves										
3. Surplus reserves for making up losses										

4. Other										
(VI) Specific reserve										
1. Withdrawn for the period										
2. Used in the period										
(VII) Other										
IV. Closing balance	505,425,000.00	261,972,921.55			133,989,447.19		637,158,732.82		1,607,355,276.44	3,145,901,378.00

Legal representative: Tong Laiming

Person-in-charge of the accounting work: Wang qi

Person-in-charge of accounting firm: Ji Xiangdong i

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

Name of enterprise: Foshan Huaxin Packaging Co., Ltd.

Amount of current period

Unit: RMB

Item	Amount of current period							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	505,425,000.00	250,531,482.00			133,989,447.19		456,841,404.84	1,346,787,334.03
Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of the year	505,425,000.00	250,531,482.00			133,989,447.19		456,841,404.84	1,346,787,334.03
III. Increase/ decrease of amount in the year ("-" means decrease)					36,347,658.90		226,043,930.09	262,391,588.99
(I) Net profit							363,476,588.99	363,476,588.99
(II) Other comprehensive incomes								
Subtotal of (I) and (II)							363,476,588.99	363,476,588.99

(III) Capital paid in and reduced by owners								
1. Capital paid in by owners								
2. Amounts of share-based payments recognized in owners' equity								
3. Others								
(IV) Profit distribution					36,347,658.90		-137,432,658.90	-101,085,000.00
1. Appropriations to surplus reserves					36,347,658.90		-36,347,658.90	
2. Appropriations to general risk provisions								
3. Appropriations to owners (or shareholders)							-101,085,000.00	-101,085,000.00
4. Other								
(V) Internal carry-forward of owners' equity								
1. New increase of capital (or share capital) from capital public reserves								
2. New increase of capital (or share capital) from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
(VI) Specific reserve								
1. Withdrawn for the period								
2. Used in the period								
(VII) Other								
IV. Closing balance	505,425,000.00	250,531,482.00			170,337,106.09		682,885,334.93	1,609,178,923.02

Last year

Unit: RMB

Item	Last year							
	Paid-up capital (or	Capital reserve	Less: treasury	Specific reserve	Surplus reserve	General risk	Retained profit	Total owners'

	share capital)		stock			reserve		equity
I. Balance at the end of the previous year	505,425,000.00	250,531,482.00			129,236,472.97		414,064,636.90	1,299,257,591.87
Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of the year	505,425,000.00	250,531,482.00			129,236,472.97		414,064,636.90	1,299,257,591.87
III. Increase/ decrease of amount in the year ("-" means decrease)					4,752,974.22		42,776,767.94	47,529,742.16
(I) Net profit							47,529,742.16	47,529,742.16
(II) Other comprehensive incomes								
Subtotal of (I) and (II)							47,529,742.16	47,529,742.16
(III) Capital paid in and reduced by owners								
1. Capital paid in by owners								
2. Amounts of share-based payments recognized in owners' equity								
3. Others								
(IV) Profit distribution					4,752,974.22		-4,752,974.22	
1. Appropriations to surplus reserves					4,752,974.22		-4,752,974.22	
2. Appropriations to general risk provisions								
3. Appropriations to owners (or shareholders)								
4. Other								
(V) Internal carry-forward of owners' equity								
1. New increase of capital								

(or share capital) from capital public reserves								
2. New increase of capital (or share capital) from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
(VI) Specific reserve								
1. Withdrawn for the period								
2. Used in the period								
(VII) Other								
IV. Closing balance	505,425,000.00	250,531,482.00			133,989,447.19		456,841,404.84	1,346,787,334.03

Legal representative: Tong Laiming

Person-in-charge of the accounting work: Wang Qi

Person-in-charge of accounting firm: Ji Xiangdong i

III. Company profiles

Foshan Huaxin Packing Co., Ltd. (hereinafter referred to as the Company) was promoted by Foshan Huaxin Development Co., Ltd., as a main sponsor, under approval of People's Government of Guangdong Province with YBH (1999) No. 297 document and Economic System Reform Committee of Guangdong Province with YTG (1999) No. 032 document, and jointly invested by seven shareholders such as Foshan Municipal Investment General Corporation, Foshan Xinhui Industrial Development Co., Ltd., China Packaging General Corporation, China Material Development & Investment General Corporation, Guangdong Technical Reforming & Investment Co., Ltd., China Chemistry & Light Industry General Corporation, and Foshan Light Industry Company by promotion with total share capital of RMB 290,000,000 at par value of RMB 1 per share. The Company is joint-stock company who was registered in Administration Bureau for Commerce & Industry of Guangdong Province on June 21, 1999. (Business License No. 40000000005147). In the year of 2000, the Company successfully placed domestically listed foreign shares (B shares) amounting to 149,500,000 by mean of private placing, which was listed in Shenzhen Stock Exchange for trade. After offering, the Company's total share capital was increased to RMB 439,500,000.00. In June 2007, the Company distributed dividends of 65,925,000 shares, thus, the total share capital was changed into RMB 505,425,000.00. The Company is mainly engaged in the paper making, paper package and printing industry.

As at 31 Dec. 2012, the Company accumulatively issued 505,425,000 shares in number and the registered capital stood at RMB 505,425,000. The Company mainly manufactures (operated by subsidiary companies under the Company) and sells packaging materials, and packaging products, materials for decoration and aluminum and plastic compound materials; sells and maintains package machinery; invests in industry in terms of package and printing. Main products include high-grade coated white paperboard, high-grade coated white board and color packages printing products. The Company's registered address is No. 18, Jihua 5th Road, Foshan, Guangdong, and the office address of headquarter is 19/F, Jinghua Bldg., Jihua Rd., Foshan.

The parent company of the Company is Foshan Huaxin Development Co., Ltd., and the actual controller of the China Paper Corporation and the Ultimate controller of the Company is China Chengtong

IV. Main accounting policies, accounting estimates and corrections of prior accounting errors

1. Preparation basis of financial statement

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Company prepared financial statements in accordance with the Basic Standard and 38 specific standards of Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC on 15 February 2006, Application Guidance of Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (hereinafter referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2010) by China Securities Regulatory Commission.

2. Statement for complying with the accounting standard for business enterprise

The financial statements for the reporting period prepared by the Company are in compliance with the requirements of the accounting standard for business enterprise, and have reflected the Company’s financial status, operating results and cash flows in an accurate and complete way.

3. Fiscal period

The fiscal year of the Company is a solar calendar year, which is from January 1 to December 31.

4. Standard currency of accounts

The Company adopts Renminbi as a standard currency of accounts.

5. Accounting process of business combinations under the same control and not under the same control

(1) Business combination under the same control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. Where the combined party adopts accounting policies different from the Company, the Company makes adjustments according to its own accounting policy on the combination date and recognizes the assets and liabilities according to the book values after the adjustments.

As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.

The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

(2) Business combination not under the same control

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The Company shall distribute the combination costs on the acquisition date and determine the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities obtained by the Company.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The Company shall record, upon recheck, the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the profit and loss of the current period.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if the economic benefits brought by them are likely to flow into the enterprise and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for any intangible asset acquired in a combination, if the fair value can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured in light of its fair value. As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations is likely to result in any out-flow of economic benefits from the enterprise, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for the contingent liabilities of the acquiree obtained in a combination, if their fair values can be measured reliably, they shall be separately recognized as liabilities and shall be measured in light of their fair values.

As for the deductible temporary differences the Company obtains from the acquiree in a business combination which do not meet the recognition standards for deferred income tax assets, they shall not be recognized. If new or further information shows that the relevant situation has existed on the acquiring date and the economic benefits brought by the deductible temporary differences the acquirer obtains from the acquiree on the acquiring date can be realized, they shall be recognized into deferred income tax assets and the relevant goodwill shall be reduced. Where the goodwill is not sufficient to be offset, the difference shall be recognized into the profits and losses in the current period. In other circumstances than the above, where the deductible temporary differences are recognized into deferred income tax assets on the acquiring date, they shall be recorded into the profits and losses in the current period.

In a business combination not under the same control, the intermediary fees (fees for audit, legal and evaluation & consulting services, etc.) and other relevant management expenses incurred on the acquirer for the business combination shall be recorded into current gains and losses when incurred. The trading expenses arising from the acquirer's issuing equity securities or debt securities as the combination consideration shall be included in the initially recognized amount of the equity securities or debt securities.

6. Preparation methods for consolidated financial statements

(1) Preparation methods for consolidated financial statements

The scope of consolidated financial statements shall be confirmed based on the control. All subsidiaries of the Company shall be included into the consolidated financial statement.

The accounting policies and accounting period adopted by the subsidiaries that are included into the scope of consolidated financial statement consistent with those the Company adopts. If the accounting policies and accounting period adopted by a subsidiary are different from those adopted by the Company, necessary adjustments shall be made to the financial statements under the accounting policies and accounting period adopted by the Company. As for a subsidiary obtained in a business combination not under the same control, its financial statements shall be adjusted based on the fair value of its identifiable net assets on the acquisition date. The consolidated financial statements shall, on the basis of the financial statements of the Company and its subsidiaries, be prepared by the Company after the long term equity investments in the subsidiaries are adjusted through the equity method.

Consolidated financial statement shall be prepared by the parent company after the effects of the internal transactions between the Company and its subsidiaries and between its subsidiaries themselves on the consolidated balance sheets, consolidated income statement, consolidated cash flow and consolidated statement of change in owners' equity are offset.

Minority shareholders' portions of equities and income in subsidiaries shall be separately stated respectively under owners' equity in the consolidated balance sheet and net profit in the consolidated income statement. For the deficit of current period exceeding the share in the beginning of owner's equity, the balance shall offset against the minority shareholder's equity.

During the reporting period, for the added subsidiary companies for business combination under the same control, shall adjust the beginning balance of the consolidated balance sheet, and shall involve the incomes, expenses and profits of the subsidiary companies incurred from the beginning of the current period to the end of reporting year into consolidated income statement; and shall include the cash flow of the subsidiary companies from the beginning of the current period to the reporting period into the consolidated cash flow statement. Meanwhile, relevant items in the statements shall be compared and adjusted with the reporting subject after the consolidation being regarded to have always existed in previous periods.

During the reporting period, for the added subsidiary companies for business combination not under the same control, shall not adjust the beginning balance of the consolidated balance sheet; and shall involve the incomes, expenses and profits of the subsidiary companies incurred from the acquisition date to the end of reporting year into the consolidated income statement; and shall include the cash flow from the acquisition date to the end of reporting period into the consolidated cash flow. As for a business combination not under the same control concluded through more than one transaction, the Company shall re-measure the equity interests in the acquiree held by it before the acquisition date according to the equity interests' fair value on the acquisition date. And the difference between the fair value and the book value is recorded into current investment gains. Where the equity interests in the acquiree held by the Company before the acquisition date involve other comprehensive incomes, the relevant other comprehensive incomes are restated as investment gains for the period which the acquisition date belongs to.

During the reporting period, for the Company settling the subsidiary companies, the incomes, expenses and profits from the beginning to the settlement date shall be involved into the consolidated income statement; the consolidated cash flow statement shall include the cash flow from the beginning of the current period to the settlement date. Where the Company loses the control over a former subsidiary due to disposal of some equity investments or other reasons, the Company re-measures the remaining equity investments after the disposal according to the fair value on the date when the control ceases. The consideration obtained in the equity disposal, plus the fair value of the remaining equities, less the Company's share of net assets in the former subsidiary calculated from the acquisition date according to the former shareholding ratio, is recorded into the investment gains for the period when the control ceases. Other comprehensive incomes in relation to the equity investments in the former subsidiary are restated as investment gains for the period when the control ceases.

If there is any difference between the newly obtained long-term equity investment due to the Company's acquisition of minority interests and the Company's share of identifiable net assets in the subsidiary calculated according to the newly increased shareholding ratio, or any difference between the disposal income due to the Company's disposal of some equity investments in a subsidiary without losing the control over the subsidiary and the Company's share of net assets in the subsidiary calculated according to the disposed long-term equity investments, the stock premium under capital reserve in the balance sheet shall be adjusted according to the said difference. If the stock premium under capital reserve is not sufficient to be offset, the retained profit is adjusted.

(2) As for the event about purchasing and then selling (or selling and then purchasing) equities of the same subsidiary, the Company shall disclose relevant accounting treatment methods.

7. Recognition standard for cash and cash equivalents

When preparing the cash flow statement, the term "cash" refers to cash on hand and deposits that are available for payment at any time. The term "cash equivalents" refers to short-term (within 3 months from the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

8. Business of foreign currencies and the transaction of foreign currency statements

(1) Business of foreign currencies

As for a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the Renminbi at the spot exchange rate of the transaction date.

The foreign currency monetary items shall be translated as the spot exchange rate on the balance sheet date, the balance occurred thereof shall be recorded into the profits and losses at the current period except that the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of assets eligible for capitalization shall be measured in the light of capitalization principle. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the confirming date of fair value, of which the balance of exchange shall be included into the profit and loss of the current period or capital reserve.

(2) Translation for foreign currency financial statements

The assets and liabilities items in the balance sheets shall be translated as a spot exchange rate on the balance sheet date. Among the owner's equity items, except the one as "retained profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The balance arisen from the translation of foreign currency financial statement in the compliance with the aforesaid methods shall be presented separately under the owner's equity item of the balance sheet.

When disposing an overseas business, the Company shall shift the balance, which is presented under the items of the owner's equities in the balance sheet and arises from the translation of foreign currency financial statements related to this overseas business, into the disposal profits and losses of the current period. If the overseas business is disposed of partially, the Company shall calculate the balance arising from the translation of foreign currency statements of the part of disposal based on the disposal rate and shall shift them into the profits and losses of the current period.

9. Financial instruments

Financial instruments include financial assets and liabilities and equity instruments.

(1) Categorization of financial instruments

The Management team shall divide the financial instruments pursuant to the purpose to acquire the said financial assets or undertake the financial liabilities: (1) the financial assets and liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial assets and liabilities and the designated financial assets and liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; (2) the investments which will be held to their maturity; (3) loans and the account receivables; (4) financial assets available for sale; and (5) other financial liabilities.

(2) Recognition basis and measurements for financial instruments

A. The financial assets (financial liabilities) which are measured at their fair values and of which the variation is included in the current profits and losses

The initial amount of the financial assets and financial liabilities shall be recognized at fair value (excluding cash dividends that have been declared but not yet distributed or bond interests that have matured but not yet received) when they are acquired. The transaction expense thereof shall be directly recorded into the profits and losses of the current period.

The interests or cash dividends acquired, during the holding period, shall be recognized as investment income, and at the end of reporting period, the change in the fair value shall be recorded into the profits and losses of the current period.

When financial assets and financial liabilities are disposed, the balance between fair value and initial amount shall be recognized as investment income, at the same time, the profits and losses arising from the change in the fair value of financial assets and financial liabilities shall be adjusted.

B. Held-to-maturity investments

When held-to-maturity investments are acquired, its initial amount shall be recognized the sum between the fair value (excluding bond interests that have matured but not yet received) and the transaction expense thereof.

During the holding period, interest income is recognized as investment income based on amortized cost and actual interest rate (where there is very small gap between actual interest rate and nominal rate of which interests income shall be measured at the nominal rate). The actual interest rate is determined upon acquisition and remains unchanged during the expected holding period or a shorter period for applicable.

When held-to-maturity investments are disposed, the difference between the acquired price and investment book value shall be recorded into the investment income.

C. Accounts receivable

The creditor's rights arising from selling goods or providing service by the Company and other creditor's rights to other enterprises held by the company that are not quoted in an active market, including accounts receivable, notes receivable, other receivables, long-term receivables, etc., the contract or agreement price should be taken as the initial recognition amount. If it has the nature of financing, it shall be recognized by present value.

Difference between the amount received and book value of the receivables shall be included into the profit or loss of the current period upon collection or disposal.

D. Available-for-sale financial assets

When available-for-sale financial assets are acquired, its initial amount shall be recognized at the fair value (excluding cash dividends that have been declared but not yet distributed or bond interests that have matured but not yet received) plus transaction expense thereof.

The interests or cash dividends acquired, during the holding period, shall be recognized as investment income. At the end of reporting period, it shall be measured at the fair value and the change in fair value thereof shall be recorded into the capital reserves (Other Capital Reserves).

Difference between the amount received and the book value of the financial assets shall be recognized as investment gain or loss upon disposal. Meanwhile, the accumulated changes in fair value previously recognized in the owners' equity are transferred into investment gain or loss.

E. Other financial liabilities

Other financial liabilities shall be initially recognized at fair value plus transaction costs. The subsequent measurement shall be made by adopting amortized costs.

(3) Recognition and measurement of transfer of financial assets

Where an enterprise has transferred nearly all of the risks and rewards relating to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retains nearly all of the risks and rewards relating to the ownership of the financial asset, it shall not stop recognizing the financial asset.

Substance over form philosophy should be adopted to determine whether the transfer of a financial asset can satisfy the conditions as described in these Standards for de-recognition of a financial asset. An enterprise shall differentiate the transfer of a financial asset into the entire transfer and the partial transfer of financial assets. If the transfer of an entire financial asset satisfies the conditions for stop recognition, the difference between the amounts of the following 2 items shall recorded in the profits and losses of the current period:

A. The carrying amount of the transferred financial asset;

B. The aggregate consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

If the transfer of partial financial asset satisfies the conditions for stopping recognition, the carrying amount of the entire financial asset transferred shall be allocated at their respective relevant fair value, between the portion whose recognition has stopped and the portion whose recognition has not stopped, and the difference between the amounts of the following 2 items:

a. The carrying amount of the portion whose recognition has stopped;

b. The aggregate consideration of the portion whose recognition has stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has stopped (in the event that the financial asset involved in the transfer is a financial asset available for sale).

The transfer of financial assets does not meet the de-recognition condition, the financial assets shall continue to be recognized, and the consideration received will be recognized as financial

liabilities.

(4) Termination of recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the Company makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall terminated the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after revising the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the Company concerned shall include into the profits and losses of the current period the gap between the carrying amount which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

Where the Company buys back part of its financial liabilities, it shall distribute, on the report day, the carrying amount of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The gap between the carrying amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) shall be recorded into the profits and losses of the current period.

(5) Determination of the fair value of financial assets and financial liabilities

As for the Company's financial assets and liabilities measured at their fair values, where there is an active market, the closing quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial assets and financial liabilities, the Company concerned shall adopt value appraisal techniques (include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.) to determine its fair value. As for the financial assets initially obtained or produced at source and the financial liabilities assumed, the fair value thereof shall be determined on the basis of the transaction price of the market.

(6) Testing method of impairment and withdrawal method of provision for impairment on financial assets (excluding accounts receivable)

Except for financial assets which are measured at their fair values and of which the variation is included in the current profits and losses, the Company checks the book values of all other financial assets on the balance sheet date. If there is objective evidence proving that a financial asset is impaired, an impairment provision is made.

A. Provision for impairment of available-for-sale financial assets

If the fair value of financial assets available for sale has greatly dropped at the end of reporting period, or after considering of all the relevant factors and expecting decrease trend is non-temporary, the impairment shall be recognized, accumulated losses due to decreases in fair

value previously recognized directly in capital reserve are reversed and charged to impairment loss.

As for the sellable debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the profits and losses of the current period.

The impairment-related losses incurred to a sellable equity instrument investment shall not be reversed through profits and losses.

B. Provision for impairment of held-to-maturity investments

Measurement for impairment loss of held-to-maturity investments shall be disposed in accordance with the measurement method for impairment loss of accounts receivable.

(7) As for event about reclassifying the undue held-to-maturity investment into available-for-sale financial assets, the Company shall state the basis of changes in holding purpose or ability
Naught

10. Recognition criteria and withdrawal methods for bad debts provision of accounts receivable

(1) Bad debt provision for individually significant accounts receivable

Judgement basis or monetary standards of provision for bad debts of the individually significant accounts receivable	An account receivable exceeds 10 million, or an other account receivable exceeds five million
Method of individual provision for bad debts of the individually significant accounts receivable	An impairment test shall be conducted on the account receivable, and the difference of the expected future cash flow's present value less than its book value shall be withdrawn as the bad debt provision and recorded into current gains/losses. Where an impairment test is conducted on an account receivable and no impairment occurs, the account receivable shall be included in an account receivable group with similar credit risk and tested again.

(2) Accounts receivable for which bad debt provisions are made on the group basis

Name of group	Withdrawal method of bad debt provision on the group basis	Recognition basis of group
Group 1—Entities consolidated are considered as an account receivable group.	Other method	The accounts receivable consolidated have similar credit risk.
Group 2—Several account receivable groups are divided according to account ages.	Aging analysis method	Except for the accounts receivable consolidated, accounts receivable with the same age have similar credit risk.

In the groups, adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Inapplicable

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
1-3 months		
4-12 months	5%	5%
1—2 years	10%	10%
2—3 years	20%	20%
Over 3 years	50%	50%

In the groups, those adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Inapplicable

In the groups, those adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Inapplicable

(3) Account receivables with an insignificant single amount but for which a single bad debt provision is withdrawn

Reason of individually withdrawing bad debt provision:	There is objective evidence proving that the account receivable may have been impaired. For instance, the debtor is cancelled, bankrupt or dead and the account receivable still cannot be recovered or the generated cash flow is seriously inadequate after the bankrupt's estates or heritages are used for the debt repayment.
Withdrawal method for bad debt provision:	Where there is objective evidence proving that an account receivable may have been impaired, the account receivable shall be separated from the relevant group and an independent impairment test shall be conducted on the account receivable so as to recognize the impairment loss.

11. Inventory

(1) Category

Inventory are classified as materials in transit, raw materials, revolving materials, merchandise inventory, goods in process, goods sent out, goods in outside processing and etc.

(2) Pricing method for outgoing inventories

Pricing method: Weighted average method

The inventory shall be measured in the light of the weighted average method when outgoing inventory.

(3) Recognition of net realizable value and withdrawal of provision for falling price of inventory

At the end of every year, the Company shall make an overall checking to inventory, thereafter, the provision for falling price of inventory shall be measured according to its cost or its net realizable value, whichever is lower.

Finished goods, merchandise inventories, and available for sale materials which are applied directly for sales of stock inventory, under normal producing process, to the amount after deducting the estimated sale expense and relevant taxes from the estimated sell price of the inventory, the net realizable value has been recognized. Material inventories which need to be processed, under normal producing process, to the amount after deducting the estimated cost of

completion, estimated sale expense and relevant taxes from the estimated sale price of produced finished goods, the net realizable value has been recognized. The net realizable value of inventories held for the execution of a sales contract or labor contract shall be calculated on the basis of the contract price. If an enterprise holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive inventories shall be calculated on the basis of the general sales price.

Ordinarily the Company shall make provision for falling price of inventories on the ground of each item of inventories. For inventories with large quantity and relatively low unit prices, the provision for falling price of inventories shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for falling price of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

(4) Inventory system for inventories:

Inventory system: Perpetual inventory system

The inventory system for inventories is perpetual inventory system.

(5) Amortization method of the low-value consumption goods and packing articles

Low-value consumption goods

Amortisation method: one-off amortization method

Packaging articles

Amortisation method: one-off amortization method

12. Long-term equity investment

(1) Recognition of initial investment cost

A. Long-term equity investment under business combination

For the merger of enterprises under the same control, if the consideration of the Company is that it makes payment in cash, transfers non-cash assets, bear its debts or issuance of equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the consideration paid by the Company shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.

For the merger of enterprises not under the same control, the combination cost recognized on the acquisition date is the initial investment cost of the long-term equity investment, and the

combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree and all relevant direct costs incurred to the Company for the business combination, including intermediary fees paid for auditing, legal, evaluating and consulting services for the business combination, as well as other relevant administrative expenses (the expense on trading equity or debt securities issued as the combination consideration and recorded into current gains/losses when incurred, the initially recognized amount recorded into equity or debt securities). For a business combination realized by two or more transactions of exchange, the initial investment cost shall be the summation of the book value of the equity investment in the acquiree held by the acquirer before the acquisition date and the cost of the investment newly increased on the acquisition date. The Company considers the contingent consideration agreed in the combination agreement as part of the combination consideration and records it into the combination cost according to its fair value on the acquisition date.

B. Long-term equity investment gained by other methods

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value (excluding cash dividends that have been declared but not yet distributed) stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

As for a non-monetary assets transaction, under the premise that the transaction is commercial in nature and the fair value of the assets received or surrendered can be measured reliably, the initial cost of the fair value of the long-term equity investment received shall be recognized based on the fair value of the assets surrendered, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed in the above premises at the same time, the book value and relevant payable taxes of the assets surrendered shall be the initial cost of the long-term equity investment received.

The initial cost of a long-term equity investment obtained by debts restructuring shall be recognized based on the fair value.

(2) Subsequent measurement and gain/loss recognition

A. Subsequent measurement

The long-term equity investment that the Company carries out to its subsidiary companies shall be measured based on cost method, and adjust based on the equity method when preparing the consolidated financial statements.

The long-term equity investment that does not do joint control or does not have significant influences on the invested entity, and entity, and has no offer in the active market and its fair value cannot be reliably measured shall be measured at the cost method.

The long-term equity investment that does joint control or significant influences over the Company shall be measured by employing the equity method. If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses.

Disposal for any change is made to the owner's equity other than the net profits and losses of the invested entity: in case the shareholding proportion remained unchanged, the Company shall, in accordance with the shareholding proportion, calculate the proportion it shall enjoy or undertake, and adjust book value of long-term equity investment, and increase or decrease capital reserve (other capital reserve) simultaneously.

B. Recognition of profits and losses

Under the cost method, the Company shall recognize investment income in the light of the attributable share of the profits or cash dividends declared to distribute by the invested entity except for money paid actually or cash dividends or profit that have been declared but not yet distributed included in consideration when obtaining investment.

Under the equity method, the recognition of profits and losses shall be carried out based on the net book profit of the invested entity and taking the following into account: If the accounting policies and accounting periods adopted by the invested entity are different from those adopted by the Company, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of the Company; the influence on the invested party's net profit from the depreciation or amortization amount withdrawn based on the fair values of the fixed and intangible assets of the invested party when the investment is obtained, from the relevant asset impairment provision, etc.; the net profit or net loss of the invested party that is attributable to the Company recognized after the unrealized intra-Group transactions between the Company and its associates and joint ventures are offset and other matters are properly adjusted.

The Company shall handle to the net losses of the invested enterprise recognized by it: (1) offset book value of long-term equity investment; (2) if the book value of long-term equity investment is insufficient to dilute, investment loss shall be recognized based on the book value of other long-term rights and interests which substantially form the net investment made to the invested entity, to offset book value of long-term receivables items; and (3) through the above treatment, where the Company still has the obligation to undertake extra losses as per investment contracts or agreements, the obligation that is expected to undertake shall be recognized the project liabilities, and recorded into losses on investment of the current period. If the invested entity realizes any

profits later, the Company shall, after the amount of its attributable share of the un-recognized losses, treat based on reverse order, and write down the book balance of projected liabilities recognized, resume the book value of other long-term rights and interests which substantially form the net investment made to the invested entity and long-term equity investment, and recognize investment income simultaneously.

When holding the investment, the Company shall measure on the basis of the net profit and other equity changes in the consolidated financial statements if invested parties can provide consolidated financial statements.

(3) Recognition basis of joint control and significant influences of invested enterprises

The term "joint control" means control over an economic activity as specified by contract, which exists only when the investing parties that need to share the power of control in important financial and operating decision-making agree unanimously. When the Company and other parties have joint control over an invested party, the invested party is considered a joint venture.

The term "significant influence" means having the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control or jointly control the formulation of these policies together with other parties. Where the Company has significant influence over an invested party, the invested party is considered an associate.

(4) Testing method of impairment and withdrawal method of provision for impairment

Under the significant influence, for the long-term equity investment that there is no offer in the active market and of which the fair value cannot be reliably measured, of which impairment loss shall be confirmed at the balance between the book value and the present value recognized as the discount rate of market income rate to the future cash flow of the assets.

Other long-term equity investment with the sign of impairment except for the goodwill formed by merger of enterprises, where the recoverable amount of single item long-term equity investment is lower than its carrying value, the difference shall be recognized as impairment loss.

Once any loss of impairment of the long-term equity investment is recognized, it shall not be switched back in the future accounting periods.

13. Investment real estates

The term "investment real estates" refers to the real estates held for generating rent and/or capital appreciation, including (1) the right to use any land which has already been rented; (2) The right to use any land which is held and prepared for transfer after appreciation; and (3) Rented buildings (including buildings which have already been rented after the self-construction or self-development is completed and buildings that are being built or developed and will be used for renting).

The Company shall make a measurement to the investment real estate through the cost pattern. As

for investment real estates measured by employing the cost pattern, i.e. building used for rental, its depreciation policy consistent with that for fixed assets; while for land use right used for rental, its amortization policy consistent with that for intangible assets.

Where there is sign of impairment, the Company shall estimate the recoverable amount of the investment real estates. Where the recoverable amount of single item investment real estates is lower than its carrying value, of which the balance shall be recognized as impairment loss.

Once any loss of impairment of the investment real estates is recognized, it shall not be switched back in the future accounting periods.

14. Fixed assets

(1) Recognized standard of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one fiscal year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

- A. The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and
- B. The cost of the fixed asset can be measured reliably.

(2) Recognition basis and pricing method of fixed assets by finance lease

Where one of the following provisions is regulated in the rental agreement signed between the Company and the leaser, it shall be recognized as an asset acquired under finance leases:

- A. The ownership of the leased asset is transferred to the Company after the term of lease expires;
- B. The Company has the option to buy the asset at a price which is far lower than the fair value of the asset at the date when the option becomes exercisable.
- C. The lease term covers the major part of the use life of the leased asset; and
- D. In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset.

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

(3) Depreciation methods of fixed assets

The Company shall withdraw the depreciation of fixed assets by adopting the straight-line method, and recognized depreciation rate in the light of the category of fixed assets, expected useful life, and expected net salvage value. Where parts of a fixed asset have different useful lives or generate

economic benefits for the Company in different ways, different depreciation rates and methods shall be adopted to make separate depreciations.

If it is reasonable to be certain that the Company will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the Company will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Depreciation life and annual depreciation rate of each fixed assets are as below:

Category	Depreciation life (Y)	Rate of residual value (%)	Annual depreciation rate (%)
Housing and building	30-40	5	2.375-3.17
Machinery equipments	10-25	5	3.80-9.50
Transportation vehicle	5	5	19.00
Other	5-10	5	9.50-19.00

(4) Testing method of impairment and withdrawal method of provision for impairment on fixed assets

The Company shall, at the end of every reporting period, make a judgment on whether there is any sign of possible fixed assets impairment.

Where there is sign of impairment, the Company shall estimate the recoverable amount of the fixed assets. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the fixed minus the disposal expenses and the current value of the expected future cash flow of the fixed assets.

Where the recoverable amount of the fixed assets is lower than its carrying value, its carrying value shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as impairment loss on fixed assets and recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of the fixed assets shall be made.

After the loss of fixed asset impairment has been recognized, the depreciation of the impaired fixed asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the fixed asset systematically (deducting the expected net residual value) within the residual service life of the fixed asset.

Once any loss of impairment of the fixed assets is recognized, it shall not be switched back in the future accounting periods.

Where there is any evidence indicating a possible impairment of fixed assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the single fixed asset belongs.

(5) Other explanations

15. Construction in progress

(1) Category

Construction in progress shall be measured by the established projects.

(2) Standard and time point of construction in progress transferring into fixed assets

All expenditure occurred before the assets are brought to the expected conditions for use shall be recognized as the entering value of fixed assets. The construction in progress of fixed assets has been reached to the expected conditions for use but has not yet handle completion and settlement procedures, the construction in progress shall be transferred into the fixed assets at the appraisal value in accordance with construction budget, cost or actual cost since the date that the construction in progress reaches to the expected conditions for use, and the depreciation of the fixed assets shall withdrawn in the light of the depreciation policy of fixed assets. After completion and settlement procedures, the Company shall adjust the original provisional estimate price at the actual cost, but not adjust original depreciation withdrawn.

(3) Withdrawal method of provision for impairment of construction in progress

The Company shall, at the end of every year, make a judgment on whether there is any sign of possible impairment of construction in progress.

Where there is sign of impairment, the Company shall estimate the recoverable amount of the construction in progress. Where there is any evidence indicating a possible impairment of construction in progress, the Company shall, on the basis of single item construction in progress, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the asset group on the basis of the asset group to which the construction in progress belongs.

The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the construction in progress minus the disposal expenses and the current value of the expected future cash flow of the construction in progress.

Where the recoverable amount of the construction in progress is lower than its carrying value, its carrying value shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as impairment loss on construction in progress and recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of the construction in progress shall be made.

Once any loss of impairment of the construction in progress is recognized, it shall not be switched back in the future accounting periods.

16. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

Borrowing costs including amortization of borrowing interest, depletion or premium, supporting expense or exchange difference from foreign currency borrowing.

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and

losses.

The term “assets eligible for capitalization” shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

A. The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;

B. The borrowing costs has already incurred; and

C. The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

When the part of projects in the qualified asset under acquisition and construction or production are completed separately and is ready for use alone, the capitalization of the borrowing costs of such part of assets shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

(3) The period of suspension of capitalization of the borrowing costs

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

(4) Calculation method of capitalized amount of borrowing costs

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

17. Biological assets

18. Oil gas assets

19. Intangible assets

(1) Pricing method of intangible assets

A. The intangible assets shall be initially measured according to its cost

The cost of outsourcing intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

For intangible assets obtained through debt restructuring, which are pay a debt by the debtor, its entering value shall be recognized based on the fair value of such intangible assets. The balance between book value for debt restructuring and the fair value of the intangible assets shall be recorded into the profits and losses of the current period.

As for a non-monetary assets transaction, under the premise that the transaction is commercial in nature and the fair value of the assets received or surrendered can be measured reliably, the initial cost of the fair value of the intangible assets received shall be recognized based on the fair value of the assets surrendered, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed in the above premises at the same time, the book value and relevant payable taxes of the assets surrendered shall be the initial cost of the intangible assets received.

As for intangible assets through business combination under the same control, its entering value shall be recognized based on the book value of combined party. As for intangible assets through business combination not under the same control, its entering value shall be recognized at its fair value.

The cost of self-developed intangible assets shall include: materials used, service cost, registration fee when developing such intangible assets, and amortization expenses of other patent right used in the course of development and interest expense eligible for capitalization, as well as other direct cost incurred before the expected purposes of use of such intangible assets are realized.

B. Subsequent measurement

The Company shall analyze and judge the service life of intangible assets, when it obtains intangible assets.

With regard to intangible assets with limited service life, shall be amortized by the straight-line method within the period when the intangible asset can bring economic benefits to the Company; If it is unable to forecast the period when the intangible asset can bring economic benefits to the Company, it shall be regarded as an intangible asset with uncertain service life and not be amortized.

(2) Estimated useful life of intangible assets with limited useful life

The Company shall, at the end of every year, check the useful life and amortization method of the said intangible assets with limited useful life.

After check, there was no difference between the useful life & amortization method of the said intangible assets at the period-end and that of previous estimation.

Items	Estimated useful life	Basis
Land use right	50 years	Property ownership certificate or land use certificate
Software (including production software, office software)	2—10 years	Estimated useful life
Non-patent technology	10 years	Estimated useful life

(3) Judgment of intangible assets with uncertain service life

In accordance with composite factors such as contractual right or other statutory rights of intangible assets, situation of same industry, historical experiences and proof of professional, if it is unable to forecast the period when the intangible asset can bring economic benefits to the enterprise, it shall be regarded as an intangible asset with uncertain service life.

The Company shall, at the end of every year, check the useful life of the said intangible assets with uncertain service life.

After check, useful life of the said intangible assets remained in uncertainty.

(4) Withdrawal of impairment reserve of intangible assets

As for intangible assets with certain service life, where there is sign of impairment, the Company shall make an impairment test at the end of year.

As for intangible assets with uncertain service life, the Company shall make an impairment test at the end of every year.

The Company shall make impairment test to the intangible assets and estimate its recoverable amount. Where there is any evidence indicating a possible impairment of intangible assets, the Company shall, on the basis of single item intangible assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the asset group on the basis of the asset group to which the intangible assets belongs.

The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the intangible assets minus the disposal expenses and the current value of the expected future cash flow of the intangible assets.

Where the recoverable amount of the intangible assets is lower than its carrying value, its carrying value shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as impairment loss on intangible assets and recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of the intangible assets shall be made.

After the loss of intangible asset impairment has been recognized, the depreciation of the impaired intangible asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the intangible asset systematically (deducting the expected net residual value) within the residual service life of the intangible asset.

Once any loss of impairment of the intangible assets is recognized, it shall not be switched back in the future accounting periods.

(5) Standard for classifying research phase and development phase of the Company's R&D projects

Expense for the Company's R&D projects divided into research expenditure and development expenditure.

The term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

The term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

(6) Standard for capitalization of development expenditures

The development expenditures for its internal research and development projects of the Company may be capitalized when they satisfy the following conditions simultaneously:

- A. It is feasible technically to finish intangible assets for use or sale;
- B. It is intended to finish and use or sell the intangible assets;
- C. The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- D. It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- E. The development expenditures of the intangible assets can be reliably measured.

If development expenditure doesn't satisfied the above listed conditions, then written into current gains & losses. While research expenditure written into current gains & losses when occurred.

20. Long-term deferred expenses

Long-term deferred expenses refer to general expenses with the apportioned period over one year that have occurred but attributable to the current and future periods.

(1) Amortization method

Long-term deferred expense shall be amortized averagely within benefit period.

(2) Amortization period

The amortization period of the long-term deferred expenses shall be decided by the benefit period.

21. Assets transfer with a repurchase agreement

A repurchase agreement for selling product or transferring assets shall be signed between the Company and the purchaser when the Company sells its products and transfers other assets, thereafter, the Company shall judge that sale of product meets the recognition conditions of revenue or not in accordance with the clauses of the agreement. If after-sales repurchase belongs to financing transaction, the Company fails to recognize sales revenue when delivering products and assets. The positive balance between the repurchase price and sales price shall be withdrawn interests on schedule during the repurchase period, and included into financial expense.

22. Estimated liabilities

Such matters as lawsuits, guarantee for a debt, loss contract, restructuring involved by the Company, which are likely to need to deliver assets or provide labor service in the future, and their amount can be measured in a reliable way, shall be recognized as estimated liabilities.

(1) Recognition standard of estimated liabilities

The obligation pertinent to a Contingencies shall be recognized as an estimated liabilities when the following conditions are satisfied simultaneously: A. that obligation is a current obligation of the company; B. It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and C. The amount of the obligation can be measured in a reliable way.

(2) Measurement method of estimated liabilities

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in the light of the following situations:

If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate (average number of bound) within the range.

If there is not a sequent range for the necessary expenses, or although there is a sequent range for the necessary expenses but all possible outcomes are not the same within the scope, i.e. If the Contingencies concern a single item, best estimate shall be determined in the light of the most likely outcome; If the Contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities. When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

23. Share-based payment and equity instruments

- (1) Categories of share-based payment
- (2) Recognition method of fair value of equity instruments
- (3) Recognition basis of the best estimate of the vested equity instruments
- (4) Accounting treatment relevant to implement, revise and terminate share-based payment plan

24. Repurchase of shares of the Company

25. Revenue

- (1) Criteria for recognition time of revenue from sale of goods

The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; The enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; The relevant amount of revenue can be measured in a reliable way; The relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

- (2) Recognition basis of revenue from transferring use rights of assets

The relevant economic benefits are likely to flow into the enterprise; and the amount of revenues can be measured in a reliable way. The revenue from abalienating the right to use assets shall be recognized in the light of the following methods:

- A. The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate; or
- B. The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

- (3) Recognition basis of revenue from providing labor service

- (4) Recognition basis and method for the schedule of contracted project when recognizing the revenue from providing labour services and construction contract by percentage-of-completion method

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method. Schedule of completion under the transaction concerning the providing of labor services shall be recognized in the light of the measurement of the work completed.

The Company shall ascertain the total revenue from the providing of labor services in accordance with the received or to-be-received price of the party that receives the labor services as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward

the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

If the Company can not, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

A. If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; or

B. If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

26. Government grants

(1) Types

A government subsidy means the monetary or non-monetary assets obtained free by the Group from the government. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

(2) Accounting treatment method

The Government grants related to long-term assets such as purchase and construction of fixed assets and intangible assets, shall be recognized as deferred income, and recorded into non-operating income by installment in the light of the useful life of assets constructed and purchased.

For the Government grants pertinent to incomes: (1) Those subsidies used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and shall included in the non-operating income during the period when the relevant expenses are recognized; or (2) Those subsidies used for compensating the related expenses or losses incurred to the Company shall be directly recognized as the current profits and losses into non-operating income.

27. Deferred income tax assets and liabilities

(1) Recognition basis of deferred income tax assets

The Company will recognize the deferred income tax liability arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain in future term and which can be deducted from the deductible temporary difference.

(2) Recognition basis of deferred income tax liabilities

As for deductible temporary difference of tax payable, is shall written in deferred income tax liability but for special particulars.

28. Operating lease and financial lease

(1) Accounting treatments of operating lease

A. Rent charge paid for leasing assets shall be apportioned at the straight-line method and recorded into the current expense within the overall rent period including rent-free period. The initial direct expense paid by the Company related to lease transaction shall be included into the current expense.

Where the lessor undertakes the expenses related to the lease that should be undertaken by the Company, the Company shall deduct such expense from total rental, and such deducted rental fee shall be apportioned within the rent period and included into the current expense.

B. Rent charge received for renting out assets shall be apportioned at the straight-line method and recognized as rental income within the overall rent period including rent-free period. The initial direct expense paid by the Company related to lease transaction shall be included into the current expense. In the event of the larger amount, it shall be capitalized and recoded into the current income by installment within the overall lease period.

Where the Company undertakes the expenses related to the lease that should be undertaken by the lessor, the Company shall deduct such expense from total rental income, and such deducted rental fee shall be apportioned within the rent period.

(2) Accounting treatments of financial lease

Assets acquired under finance leases: On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

(3) Accounting treatment of the sold but leased-back assets

29. Assets held for sale

(1) Recognition criteria of the assets held for sale

(2) Accounting treatments of the assets held for sale

30. Capitalization of assets

31. Hedging accounting

32. Changes in main accounting policies and estimates

Were the main accounting policies or estimates changed during the report period?

☐ Yes ☒ No

(1) Change of accounting policies

Were the main accounting policies changed during the report period?

☐ Yes ☒ No

(2) Change of accounting estimates

Were the main accounting estimates changed during the report period?

☐ Yes ☒ No

33. Correction of previous accounting errors

Was any accounting error made in previous periods discovered in the report period?

☐ Yes ☒ No

During the report period, there is no previous accounting errors need to be corrected by the

retrospective restatement method.

During the report period, there is no previous accounting errors need to be corrected by the prospective application method.

(1) Retrospective restatement method

Was any previous accounting error adopting retrospective restatement method discovered in the report period?

☐ Yes ☒ No

(2) Prospective application method

Was any previous accounting error adopting prospective application method discovered in the report period?

☐ Yes ☒ No

34. Other main accounting policies and estimates as well as compilation method of financial statements

V. Taxation

1. Main taxes and tax rate

Category of taxes	Tax base	Tax rate
VAT	The measurement of output tax was based on sales of goods and taxable labor income measured by regulations of tax law, while the difference of excluding current deductible tax amount is VAT	17%
Business tax	Taxable operating income	5%
Urban maintenance and construction tax	Taxed at actual business tax, VAT and consumption tax	7%
Enterprise income tax	Amount of taxable income	25%

The income tax rates adopted by each subsidiary and branch factory

2. Tax preference and official documents

1. According to business income tax rate of sub-subsidiary Pearl River Color Printing Co., Ltd. of Chancheng District, Foshan as at 7% of total revenue, income tax rate remained 25%.

2. According to the Circular on issuing the Second Name List of Hi-tech Enterprise in Guangdong Province for Y2009(YKGZi(2010) Document No. 42) jointly issued by Science & Technology Department of Guangdong Province, Finance Department of Guangdong Province, National Tax Bureau of Guangdong Province and Local Tax Bureau of Guangdong Province, the Company's shareholding subsidiary company Zhuhai S.E.Z Hongta Renheng Paper Co., Ltd. was recognized as Second Batch of Hi-tech Enterprise in Guangdong Province for Y2009, and gained Certificate for Hi-tech Enterprise (Certificate No. : GR200944000873, with three years of validity). So the subsidiary can enjoy the relevant tax preference for Hi-tech enterprise since Y2009 (include Y2009) for three years, whose CIT rate was 15%.

VI. Business combination and consolidated financial statements

1. Subsidiaries

(1) Subsidiaries obtained by establishment and investment

Unit: RMB Yuan

Subsidiaries	Type	Registered place	Business nature	Registered capital	Business scope	Actual amount of investments at the period-end	Other investment	The proportion of holding shares (%)	The proportion of voting rights (%)	Included in consolidated statement	Minority interest	Deductible minority interests	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Foshan Huazhi Waste Paper Recycling Co., Ltd.	Subsidiary of holding subsidiary	Foshan	Service industry	500000	Purchase and sale of waste paper and waste newspaper	5,000,000.00		100%	100%	Yes			
Pearl River Color Printing Co., Ltd. of Chancheng District, Foshan	Subsidiary of holding subsidiary	Foshan	Manufacturing	150000	Printing other printed materials, design & production and release of advertising	1,500,000.00		100%	100%	Yes			

Foshan Chengtong Paper Co., Ltd	Holding subsidiary	Foshan	Manufacturing	300000	Manufacturing and selling of high-class paper and paper board; export & import	225,000,000.00		75%	75%	Yes	63,437,600.00		
Kunshan Focai Packaging & Printing Co., Ltd.	Holding subsidiary	Suzhou	Manufacturing	500000	Sale packaging & printing materials	5,000,000.00		100%	100%	Yes			

Other notes to subsidiaries obtained by establishment and investment:

(2) Subsidiaries obtained by business combination under the same control

Unit: RMB Yuan

Subsidiaries	Type	Registered place	Business nature	Registered capital	Business scope	Actual amount of investments at the period-end	Other investment	The proportion of holding shares (%)	The proportion of voting rights (%)	Included in consolidated statement	Minority interest	Deductible minority interests	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Huaxin (Foshan) Color	Holding subsidiary	Foshan	Manufacturing	USD12800000	Process and	72,674,100.00		75%	75%	Yes	43,657,900.00		

Printing Co., Ltd	ry				printing of packaging or decorating printing products , domestic and export sales of products								
Zhuhai Huafeng Paper Co., Ltd	Subsidiary of holding subsidiary	Zhuhai	Manufacturing	98456000	Manufacturing and selling of high-class paper and paper board	1,068,971,500.00		100%	100%	Yes			

Other notes to subsidiaries obtained by business combination under the same control:

(3) Subsidiaries obtained by business combination not under the same control

Unit: RMB Yuan

Subsidiaries	Type	Registered place	Business nature	Registered capital	Business scope	Actual amount of investments at the period-end	Other investment	The proportion of holding shares (%)	The proportion of voting rights (%)	Included in consolidated statement	Minority interest	Deductible minority interests	Balance of parent company's equity after deducting the difference that loss of minority interests exceed
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													equity obtained by minority sharehol ders
Zhuhai S.E.Z. Hongta Renheng g Paper Co., Ltd.	Holding subsidiary	Zhuhai	Manufaturing	USD24 360990 9	Manufaturing and selling of high-cla ss packagi ng paper board	927,570 ,700.00		41.97%	41.97%	Yes	1,461,3 53,900. 00		
Zhuhai Jinji Chemic als Co., Ltd.	Subsidiary of holding subsidiary	Zhuhai	Manufaturing	692719 40	Manufaturing and selling of chemica l raw materials	69,000, 000		51%	51%	Yes			

Other notes to subsidiaries obtained by business combination not under the same control:

Note: On acquisition date as 30 Jun. 2009, the Company gained 40.176% shares of Hongta Renheng by the ways of capital and share increase, there were five directors in the Board of Directors of Hongta Renheng, of which the Company sent three directors, Yunnan Hongta Group Co., Ltd and Renheng Industrial Co., Ltd. sent one director respectively. The Chairman of the Board (Legal representative) was sent by the Company, General Manager and Chief Financial Officer were also sent by the Company, so as to control the routine producing and operating activities of Hongta Renheng, and thus consolidated into the consolidated statement of the Company since Jul. 2009. On 1 Feb. 2010, Hongta Renheng finished the changes procedures for capital increase in industry and commerce, so shares of Hongta Renheng held by the Company increased to 41.9653%, meanwhile, revised the contract and Articles of Association of Hongta Renheng according to the resolutions of the Board of Directors of Hongta Renheng on 25 Feb. 2010, after which the directors of the Board of Directors changed from five to seven, as the Company sent four directors (originally three), Yunnan Hongta Group Co., Ltd. sent two directors (originally one), Renheng Industrial Co., Ltd. sent one, Dragon State International Limited didn't send any directors. The Company still can decide the financial and operating policies of Hongta Renheng, so continued to consolidate it to the consolidated scope in 2012.

2. No Special purpose entities or operating entities with control right formed by entrusted operation or lease during the reporting period

3. Explanation on changes in consolidated scope

Explanation on change in the consolidated scope:

√ Applicable □ Inapplicable

Compared with last year, there is one company increased in the financial statements for the year (period), because:

As approved at the 6th Session of the 5th Board of Directors of the Company for 2012, the Company's holding subsidiary –Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. signed a Capital Increase Agreement with Jinhua International Chemicals (Hong Kong) Co., Ltd. and Zhejiang Jinji Holdings Co., Ltd., the two shareholders of Zhuhai Jinji Chemicals Co., Ltd., at which Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. increased the contribution in currency of RMB 69 million to Zhuhai Jinji Chemicals Co., Ltd., accounting for 51% of the total capital contribution, and Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. became the controlling shareholder of Zhuhai Jinji Chemicals Co., Ltd. after completing the capital increase. And the event on capital increase has been approved by Zhuhai Municipal Technology & Industry Trade and Information Bureau with the Reply of ZKGMXZ [2012] No. 319 on 11 Jun. 2012. On 11 Jul. 2012, Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. fully paid RMB 69 million in currency for the capital contribution (including subscribing the newly added registered capital of RMB 35,328,690.00, and the premium of RMB 33,671,310.00 was recorded into the capital reserves of Zhuhai Jinji Chemicals Co., Ltd.). On 4 Sept. 2012, it changed the industrial and commercial registration with the approval of Zhuhai Administration for Industry & Commerce. And the Company included Zhuhai Jinji Chemicals Co., Ltd. into the consolidated scope from 1 Jul. 2012.

4. The entities newly or no longer included into the consolidated scope during the reporting period

The subsidiaries, special purpose entities and operating entities with control right formed by entrusted operation or lease that newly included in the consolidated scope

Unit: RMB Yuan

Name	Net asset at period-end	Net profit in the period
Zhuhai Jinji Chemicals Co., Ltd.	147,628,976.71	15,165,333.48

5. Business combination not under same control during the report period

Unit: RMB Yuan

The combined party	Amount of goodwill	Calculation method of goodwill
Zhuhai Jinji Chemicals Co., Ltd.	2,418,280.28	The combination cost of the company was RMB 69,000,000.00, and 51% equity of Zhuhai Jinji Chemicals Co., Ltd. was gained from the combination, while the fair value of the identifiable net assets on the date of purchase was RMB

		66,581,719.72, and the balance of the above two items of RMB 2,418,280.28 was recognized as goodwill.
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Other notes to business combination not under the same control:

The Company paid RMB 69,000,000.00 in cash as the combination cost for purchasing 51% equity of Zhuhai Jinji Chemicals Co., Ltd., with the purchasing date of 1Jul. 2012. And the total amount of combination cost on the purchasing date was RMB 69,000,000.00.

Recognition basis of the purchasing date:

And the event on capital increase has been approved by Zhuhai Municipal Technology & Industry Trade and Information Bureau with the Reply of ZKGMXZ [2012] No. 319 on 11 Jun. 2012. And Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. fully paid RMB 69 million in currency for the capital contribution on 11 Jul. 2012, so the purchasing date for the combination was decided as 1 Jul. 2012.

Zhuhai Jinji Chemicals Co., Ltd. was a company established by self-owned factory building at the Petrochemical Area, Gaolan Port Economic Zone, Zhuhai on 28 Jun. 2005, which mainly engaged in producing and selling self-produced carboxylated styrene-butadiene latex and superfine Heavy calcium carbonate (excluding dangerous and precursor chemicals).

VII. Notes on major items in consolidated financial statements of the Company

1. Monetary funds

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash:	--	--	384,346.80	--	--	401,600.74
RMB	--	--	208,930.83	--	--	249,618.51
HKD	49,090.45	0.81085	39,804.99	48,811.94	0.8107	39,571.84
USD	21,575.21	6.2855	135,610.98	17,840.37	6.3009	112,410.39
Subtotal			384,346.80			401,600.74
Bank deposit:	--	--	377,488,517.15	--	--	363,994,114.51
RMB	--	--	329,125,212.54	--	--	285,414,298.06
HKD	655,300.84	0.81085	531,350.68	9,523.54	0.8107	7,720.73
USD	7,609,883.20	6.2855	47,831,920.83	12,469,949.46	6.3009	78,571,904.55
EUR	3.98	8.31760	33.10	23.42	8.1625	191.17
Other monetary funds:	--	--	100,983,732.19	--	--	5,575,416.71
RMB	--	--	96,015,991.43	--	--	5,573,471.87
USD	790,349.34	6.2855	4,967,740.76	308.66	6.3009	1,944.84
Subtotal			100,983,732.19			5,575,416.71

Total	--	--	478,856,596.14	--	--	369,971,131.96
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Special explanation shall be made for the accounts limited by being mortgaged, pledged or frozen, deposited overseas or with potential collecting risks:

Category	Closing balance	Opening balance
Bank acceptance deposits	774,000.00	1,473,920.21
Margin credit	5,635,648.60	3,937,120.88
The guarantee deposit	575,253.00	
For other monetary funds guarantee	92,999,278.05	
Total	99,984,179.65	5,411,041.09

2. Notes receivable

(1) Category of notes receivable

Unit: RMB Yuan

Category	Closing balance	Opening balance
Bank acceptance bill	478,565,033.97	548,408,372.53
Commercial acceptance bill	1,691,998.12	
Total	480,257,032.09	548,408,372.53

(2) Notes receivable pledged at period-end

Unit: RMB Yuan

Issuing entity	Date of issuance	Expiring date	Amount	Remark
Zhejiang Welbon Pulp & Paper Group Co., Ltd.	1 Aug. 2012	16 Jan. 2013	2,000,000.00	
An'yang Qiankang Medical Co., Ltd.	6 Aug. 2012	6 Feb. 2013	500,000.00	
Zhejiang Huanda Lacquer Co., Ltd.	8 Aug. 2012	7 Feb. 2013	500,000.00	
Changsha Sijie Printing Materials Trade Co., Ltd.	10 Aug. 2012	10 Feb. 2013	500,000.00	
Guilin Shiqun Paper Co., Ltd.	31 Jul. 2012	31 Jan. 2013	447,265.40	
Total	--	--	3,947,265.40	--

(3) Notes transferred to accounts receivable because drawer of the notes fails to execute the contract or agreement, and undue notes endorsed to other parties at the end of the period

Unit: RMB Yuan

Issuing entity	Date of issuance	Expiring date	Amount	Remark
Shenzhen Lique Printing Co., Ltd.	27 Dec. 2012	27 Jun. 2013	8,835,500.72	
Nanjing Sanlong Packaging Co., Ltd.	11 Oct. 2012	11 Apr. 2013	8,174,511.40	
Dongguan Hucais Printing Co., Ltd.	26 Dec. 2012	26 May 2013	8,000,000.00	
Shanghai Yuetu Industry & Trade Development Co., Ltd.	31 Jul. 2012	31 Jan. 2013	8,000,000.00	
Shanghai Yuetu Industry & Trade Development Co., Ltd.	3 Sept. 2012	3 Mar. 2013	7,200,000.00	
Total	--	--	40,210,012.12	--

Note:

Explanation on discounted or pledged commercial acceptance bills

3. Accounts receivable

(1) Accounts receivable listed by categories

Unit: RMB Yuan

Category	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable for which bad debt provisions are made on the group basis								
Group—aging analysis method	978,106,447.60	95.09%	9,471,231.86	0.97%	888,669,947.31	94.57%	6,168,578.53	0.69%
Subtotal of the groups	978,106,447.60	95.09%	9,471,231.86	0.97%	888,669,947.31	94.57%	6,168,578.53	0.69%
Accounts receivable with insignificant single amount and individually withdrawn bad debt provision	50,542,912.82	4.91%	47,584,566.50	94.15%	51,068,505.05	5.43%	45,301,078.80	88.71%

Total	1,028,649,360.42	--	57,055,798.36	--	939,738,452.36	--	51,469,657.33	--
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Notes to category of accounts receivable:

There were no significant single amount and individually withdrawn bad debt provision accounts receivable at period-end.

Accounts receivable with significant single amount and individually withdrawn bad debt provision

☐Applicable ☒Inapplicable

In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒Applicable ☐Inapplicable

Unit: RMB Yuan

Aging	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year						
Including:	--	--	--	--	--	--
1-3 months	842,748,235.50	86.16%		806,380,035.41	90.74%	
4-12 months	119,542,853.89	12.22%	5,977,142.70	70,894,464.19	7.98%	3,544,723.21
Subtotal of within 1 year	962,921,089.36	98.38%	5,977,142.70	877,274,499.60	98.72%	3,544,723.21
1-2 years	9,391,609.84	0.96%	939,160.99	6,028,189.34	0.68%	602,818.93
2-3 years	2,189,920.09	0.22%	437,964.01	2,208,642.64	0.25%	441,728.53
Over 3 years	4,233,928.32	0.43%	2,116,964.17	3,158,615.73	0.35%	1,579,307.87
Total	978,106,447.60	--	9,471,231.86	888,669,947.31	--	6,168,578.53

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

☐Applicable ☒Inapplicable

In the groups, accounts receivable adopting other methods to withdraw bad debt provision

☐Applicable ☒Inapplicable

Other closing individually insignificant but provisions for bad debts individually accounts receivable:

☒Applicable ☐Inapplicable

Unit: RMB Yuan

Content of accounts receivable	Book balance	Provision for bad debts	Withdrawal proportion (%)	Reason for withdrawal
Guangdong Regall Group Co., Ltd.	9,919,562.58	9,919,562.58	100%	Already win the lawsuit, while there were no

				property available for execution that unable to recover the balance
Foshan Jiahe Paper Trading Co., Ltd.	4,902,239.70	4,412,015.73	90%	(Already supplied to the court for execution, and entrusted the law firm to liquidate on 14 Dec. 2012), but difficult to recover
Zhuhai Eastern Zhengtai Power Equipment Co., Ltd.	2,925,825.54	2,633,242.99	90%	Already supplied to the court for execution, but difficult to recover
Shenzhen Xieji Industry Co., Ltd.	3,760,350.10	1,880,175.05	50%	Difficult to recover, and withdrew 50% provision for the bad debts according to the resolution of the session of the GM Office
Guangdong Jiangnan Paper Co., Ltd	1,070,324.24	1,070,324.24	100%	Estimated to be irrecoverable
Zhuhai Gongbei Ronghui Trading Co., Ltd.	1,016,655.73	914,990.16	90%	Already win the lawsuit, while there were no property available for execution that difficult to recover
Dongguan To's WingYun Color Printing & Paper Products Co., Ltd.	369,499.75	362,294.50	98.05%	Already judged, with an allocation amount of RMB 10,668.00
Dongguan Longshi Printing Products Co., Ltd.	333,563.43	333,563.43	100%	Already judged with no allocation amount
Shenzhen Jinying Package Printing Co., Ltd.	186,788.09	186,788.09	100%	Already judged with no allocation amount
Henggang Liuyue Jiemaoprinting Package Factory	176,102.80	176,102.80	100%	Written off
Other	25,882,000.86	25,695,506.93	99.28%	
Total	50,542,912.82	47,584,566.50	--	--

(2) Accounts receivable reversed or collected in the reporting period

Unit: RMB Yuan

Content of accounts receivable	Reversed or collected reason	Recognition basis of original bad debt provision	Reversed or collected amount of the accrued bad debt provision	Reversed or collected amount
Zaoyang Yongxing Color Printing Co., Ltd.	Collected from customer	Difficult to recover	1,656,858.30	828,429.15
Total	--	--	1,656,858.30	--

The withdrawal of bad debt provision of accounts receivable with significant single amount or insignificant single amount but individually made impairment test at the end of reporting period:

(3) There was no actual write-off accounts receivable during the reporting period**(4) There were no accounts receivable due to shareholders holding 5% (including 5%) voting rights of the Company****(5) Information of top 5 accounts receivable:**

Unit: RMB Yuan

Name of entity	The relationship with the Company	Amount	Aging	Proportion in the total amount of accounts receivable (%)
No. 1	Non-related relationship	64,723,446.28	Within 3 months	6.29%
No. 2	Non-related relationship	57,007,878.88	Within 3 months	5.54%
No. 3	Non-related relationship	32,924,700.15	Within 3 months	3.2%
No. 4	Non-related relationship	27,401,704.90	Within 3 months	2.66%
No. 5	Non-related relationship	22,410,731.28	Within 3 months	2.18%
Total	--	204,468,461.49	--	19.88%

(6) accounts receivable due from accounts receivable

Category	accounts receivable	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
accounts receivable					
	Guangdong Guanhao High-tech Co., Ltd.			286,552.00	

	Yueyang Forest & Paper Co., Ltd.	279,359.40			
	Tetra Pak Huaxin (Foshan) Packaging Co., Ltd.	3,595,601.84			

(7) No accounts receivable that were terminated recognition

(8) No securitization is carried out on accounts receivable as the underlying assets

4. Other accounts receivable

(1) Other accounts receivable disclosed by categories:

Unit: RMB Yuan

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other accounts receivable that is individually significant and provisions for bad debts individually	6,000,000.00	14.36%	6,000,000.00	100%	6,000,000.00	8.81%	6,000,000.00	100%
Other accounts receivable that provisions for bad debts by group								
Group—Aging analysis method	31,919,124.35	76.42%	2,645,049.57	8.29%	58,250,663.02	85.56%	1,334,237.66	2.29%
Subtotal of the groups	31,919,124.35	76.42%	2,645,049.57	8.29%	58,250,663.02	85.56%	1,334,237.66	2.29%
Other accounts receivable with insignificant single amount and individually withdrawn bad debt provision	3,850,082.38	9.22%	3,850,082.38	100%	3,828,854.76	5.63%	3,828,854.76	100%
Total	41,769,206.73	--	12,495,131.95	--	68,079,517.78	--	11,163,092.42	--

Notes for categories of other accounts receivable:N/A

Other closing accounts receivable that is individually significant and provisions for bad debts individually.

√Applicable □Inapplicable

Unit: RMB Yuan

Content of other accounts receivable	Book balance	Provision for bad debts	Withdrawal proportion (%)	Reason
Zhuhai Yidecheng Industrial Co., Ltd	6,000,000.00	6,000,000.00	100%	Loans in 2003, difficult to recover
Total	6,000,000.00	6,000,000.00	--	--

In the group, other accounts receivable that provision for bad debts by aging analysis:

√Applicable □Inapplicable

Unit: RMB Yuan

Aging	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year						
Including:						
1-3 months	11,125,855.66	34.86%		49,869,301.87	85.61%	
4-12 months	1,952,101.10	6.12%	97,605.07	5,630,557.81	9.67%	281,527.89
Subtotal of within 1 year	13,077,956.76	40.98%	97,605.07	55,499,859.68	95.28%	281,527.89
1-2 years	16,981,789.80	53.2%	1,697,618.97	508,963.36	0.87%	50,896.34
2-3 years	266,211.21	0.83%	53,242.24	397,021.85	0.68%	79,404.37
Over 3 years	1,593,166.58	4.99%	796,583.29	1,844,818.13	3.17%	922,409.06
Total	31,919,124.35	--	2,645,049.57	58,250,663.02	--	1,334,237.66

In the group, other accounts receivable that provision for bad debts by balance percentage:

□Applicable √Inapplicable

In the group, other accounts receivable that provision for bad debts by other methods:

□Applicable √Inapplicable

Other closing individually insignificant but provisions for bad debts individually accounts receivable:

√Applicable □Inapplicable

Unit: RMB Yuan

Content of other accounts receivable	Book balance	Provision for bad debts	Withdrawal proportion (%)	Reason for withdrawal
Zhuhai Municipal Construction	2,000,000.00	2,000,000.00	100%	Advances for road construction before 2001,

Commission				and difficult to recover
Jiangmen Pengjiang Jinghua Sieve Plate Manufacturing Co., Ltd.	1,105,650.00	1,105,650.00	100%	Brush-ray machine used in experiment, while the machines can't be used for unsuccessful experiment, so the account was irrecoverable
Shenchi Industrial Co., Ltd.	500,000.00	500,000.00	100%	Loans before 1993, difficult to recover
Subtotal of other companies	244,432.38	244,432.38	100%	Estimayed to be irrecoverable
Total	3,850,082.38	3,850,082.38	--	--

(2) No other accounts receivable reversed or recovered in the reporting period

(3) Nature or content of other significant accounts receivable

Unit: RMB Yuan

Name of entity	Amount	Nature or content of the amount	Proportion in the total amount of other accounts receivable (%)
No. 1	12,834,125.04	Collection of trade charges	30.73%
No. 2	6,000,000.00	Loans in 2003	14.36%
No. 3	2,580,109.34	Current account	6.18%
No. 4	2,000,000.00	Advance	4.79%
No. 5	1,431,452.03	Payment of the business income taxes from being distributed the dividends	3.43%
Total	24,845,686.41	--	59.48%

Notes:

(4) Information of top five other accounts receivable

Unit: RMB Yuan

Name of entity	Relationship with the Company	Amount	Aging	Proportion in the total amount of other accounts receivable (%)
No. 1	Non-related relationship	12,834,125.04	1-2 years	30.73%

No. 2	Non-related relationship	6,000,000.00	Over 3 years	14.36%
No. 3	Non-related relationship	2,580,109.34	1-2 years	6.18%
No. 4	Non-related relationship	2,000,000.00	Over 3 years	4.79%
No. 5	Non-related relationship	1,431,452.03	Within 3 months	3.43%
Total	--	24,845,686.41	--	59.48%

5. Prepayment

(1) List by aging analysis:

Unit: RMB Yuan

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	175,930,476.82	98.05%	116,056,629.47	97.62%
1-2 years	3,083,267.48	1.72%	1,997,772.64	1.68%
2-3 years	195,455.00	0.11%	821,943.20	0.69%
Over 3 years	211,935.57	0.12%	4,090.97	0.01%
Total	179,421,134.87	--	118,880,436.28	--

Notes of aging of prepayment:

(2) Information of the top 5 prepayment

Unit: RMB Yuan

Name of entity	Relationship with the Company	Amount	Aging	Reason for unsettled
No. 1	Non-related relationship	38,718,680.00	Within 1 year	Prepayment for the purchases
No. 2	Non-related relationship	30,000,000.00	Within 1 year	The contract hasn't been accomplished.
No. 3	Non-related relationship	23,560,440.72	Within 1 year	Prepayment for the purchases
No. 4	Related relationship	22,159,902.93	Within 1 year	Prepayment for the purchases
No. 5	Non-related relationship	19,416,538.05	Within 1 year	Prepayment for the purchases
Total	--	133,855,561.70	--	--

Notes of important companies of prepayment:

6. Inventory

(1) Category

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Provision for falling price	Book value	Book balance	Provision for falling price	Book value
Raw materials	336,780,913.59	4,044,227.38	332,736,686.21	392,262,522.49	4,044,227.38	388,218,295.11
Goods in process	66,579,779.62		66,579,779.62	65,881,720.01		65,881,720.01
Inventory goods	599,572,775.03	22,190,104.20	577,382,670.83	650,538,078.09	2,391,459.99	648,146,618.10
Low value consumables and packaging products	37,834,915.75		37,834,915.75	31,939,911.36		31,939,911.36
Contracted processing materials	3,848,093.51		3,848,093.51			
Total	1,044,616,477.50	26,234,331.58	1,018,382,145.92	1,140,622,231.95	6,435,687.37	1,134,186,544.58

(2) Provision for falling price of inventories

Unit: RMB Yuan

Category	Opening book balance	Withdrawal amount in the reporting period	Decrease in the reporting period		Closing book balance
			Reversal	Written off	
Raw materials	4,044,227.38				4,044,227.38
Inventory goods	2,391,459.99	20,269,742.85	242,613.92	228,484.72	22,190,104.20
Total	6,435,687.37	20,269,742.85	242,613.92	228,484.72	26,234,331.58

(3) Details of provision for falling price of inventories

Item	Basis on provision for falling price of inventories	Reasons for reversal	Proportion of reversal of provision for impairment of inventories to closing balance (%)
Raw materials	Net realizable value		
Inventory goods	Net realizable value	Inventory goods have been sold	0.04%

Notes of inventory:N/A

7. Available-for-sale financial assets

(1) Information of available-for-sale financial assets

Unit: RMB Yuan

Item	Closing fair value	Opening fair value
Available-for-sale equity instruments	3,400,433.40	3,068,874.52
Total	3,400,433.40	3,068,874.52

Notes of available-for-sale financial assets:

Available-for-sale equity instruments is shares subject to trading moratorium amounting to 385,537 of Zhuhai Port Co., Ltd. held by Zhuhai S.E.Z Hongta Renheng Paper Co., Ltd. after completing share merger reform. Since the end of 2007, the said shares had been transferred to circulating shares.

(2) No long-term liability investment of available-for-sale financial assets

8. Investment to joint ventures and associated enterprises

Unit: RMB Yuan

Name of investee	Percentage of holding shares of the Company (%)	Voting percentage of the Company in investee (%)	Total closing assets	Total closing liabilities	Total net closing assets	Total operation revenue in reporting period	Net profit in reporting period
I. Joint ventures							
II. Associated enterprises							
Guangdong Chengtong Logistics Co., Ltd.	24%	24%	41,968,101.60	14,168,287.12	27,799,814.48	56,683,864.72	757,398.31

Notes if significant differences exist between the important accounting policies and accounting estimations of joint ventures, associated enterprises and the Company:

9. Long-term equity investment

(1) List of long-term equity investment

Unit: RMB Yuan

Investee	Accounting method	Initial investment cost	Opening balance	Increase/decrease	Closing balance	Share holding percentage	Voting percentage in	Explanation for indifference	Impairment provision	Withdrawn impairment	Cash bonus in the
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						e in investee (%)	investee (%)	ces between the share holding percentag e and voting percentag e in investee		nt provision in the reporting period	reporting period
Tetra Huaxin (Foshan) Packagin g Co., Ltd.	Equity method	145,945,9 47.55	205,323,8 73.74	-205,323, 873.74							109,574,4 09.85
Guangdo ng Chengton g Logistics Co., Ltd.	Equity method	7,200,000 .00	6,492,259 .33	179,591.1 4	6,671,850 .47	24%	24%				
China Guangfa Bank Co., Ltd.	Cost method	113,558.0 0	113,558.0 0		113,558.0 0	0.000428 %	0.000428 %				
Total	--	153,259,5 05.55	211,929,6 91.07	-205,144, 282.60	6,785,408 .47	--	--	--			109,574,4 09.85

10. Investment property

(1) Investment property calculated by cost

Unit: RMB Yuan

Item	Opening book balance	Increase in the reporting period	Decrease in the reporting period	Closing book balance
I. Total original book value	22,934,168.45		8,239,074.26	14,695,094.19
1. Houses and buildings	22,934,168.45		8,239,074.26	14,695,094.19
II. Accumulated depreciation and amortization	5,398,090.81	824,415.22	1,470,393.28	4,752,112.75

I. Houses and buildings	5,398,090.81	824,415.22	1,470,393.28	4,752,112.75
III. Book value of investment property	17,536,077.64			9,942,981.44
I. Houses and buildings				
V. Book value of investment property				
I. Houses and buildings	17,536,077.64	-	-	9,942,981.44

Unit: RMB Yuan

	Reporting period
Depreciation and amortization amount	824,415.22

11. Fixed assets

(1) Fixed assets details

Unit: RMB Yuan

Item	Opening book balance	Increase in the reporting period		Decrease in the reporting period	Closing book balance
I. Total original book value	4,515,371,244.04	100,919,859.52		11,160,298.15	4,605,130,805.41
Including: Houses and buildings	1,124,023,944.97	34,297,917.72			1,158,321,862.69
Machineries	3,213,448,642.15	49,220,811.86		7,330,050.00	3,255,339,404.01
Vehicles	56,128,182.87	8,692,110.25		2,914,755.00	61,905,538.12
Other equipments	121,770,474.05	8,709,019.69		915,493.15	129,564,000.59
--	Opening book balance	Increase in reporting period	Withdrawal in reporting period	Decrease in the reporting period	Closing book balance
II. Accumulated depreciation	1,363,728,234.14	16,659,083.73	177,420,534.14	8,413,040.65	1,549,394,810.36
Including: Houses and buildings	269,729,692.61	6,715,572.58	33,990,038.15	47,491.00	310,387,812.34
Machineries	990,526,700.13	7,022,467.08	123,590,693.09	4,928,045.40	1,116,211,814.90
Vehicles	36,685,360.13	1,815,955.13	7,511,732.82	2,563,019.84	43,450,028.24
Other equipments	66,786,481.27	1,105,088.94	12,328,070.08	874,485.41	79,345,154.88
--	Opening book balance	--			Closing book balance
III. The net book value of fixed assets	3,151,643,009.90	--			3,055,735,995.05

Including: Houses and buildings	855,323,125.15	--	847,934,050.35
Machineries	2,222,131,814.42	--	2,139,127,589.11
Vehicles	19,204,077.55	--	18,455,509.88
Other equipments	54,983,992.78	--	50,218,845.71
IV. Total impairment provision	78,086,487.98	-1,406,730.98-	76,679,757.00
Machineries	78,086,487.98	-1,406,730.98-	76,679,757.00
Other equipments		--	
V. Total book value of fixed assets	3,073,556,521.92	--	2,979,056,238.05
Including: Houses and buildings	855,323,125.15	--	847,934,050.35
Machineries	2,144,045,326.44	--	2,062,447,832.11
Vehicles	19,204,077.55	--	18,455,509.88
Other equipments	54,983,992.78	--	50,218,845.71

Depreciation amount of this reporting period was RMB 177,420,534.14; original value of RMB 10,917,885.23 was transferred into fixed assets from construction project.

(2) Information of fixed assets failed to accomplish certification of property

Item	Reason	Estimated accomplish date
Houses and buildings	In the process of collecting files materials and the transfer of property right wasn't settled	

Notes of fixed assets:

1. The depreciation amount in the reporting period was RMB 177,420,534.14.

The original value of the construction in process that was transferred to fixed assets in the reporting period was RMB 10,917,885.23.

The increase of the original book value of the fixed assets included the follows: RMB 45,262,940.29 of the fair value of the fixed assets of the sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. gained from business combination not under the same control on the combination date of 1 Jul. 2012. Investment real estate into fixed assets depreciation amount of RMB 8,239,074.26.

The increase of accumulative depreciation amount in the reporting period included the follows: RMB 1,470,393.28 of accumulative depreciation of the sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. gained from business combination not under the same control on the combination date.

There were no fixed assets used for pledge or guarantee at the end of the reporting period.

2. There were no temporary idle fixed assets at the end of the reporting period.

3. There were no fixed assets rented in by financial lease or leased out by operating lease at the end of the reporting period.

4. There were no fixed assets available for sale at the end of the reporting period.

12. Construction in progress

(1) Construction in progress

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Gravure high-speed digital control cutting machine (HS400)				517,094.03		517,094.03
Rewinder	5,050,527.09		5,050,527.09	4,370,518.47		4,370,518.47
New establishment of warehouses	25,717,155.57		25,717,155.57	313,448.53		313,448.53
Renovation project of 100 ton boiler	14,118,687.47		14,118,687.47	2,977,448.90		2,977,448.90
Small projects	2,583,328.30		2,583,328.30			
Expansion project for production workshop phase III	2,900,502.48		2,900,502.48			
Renovation of BM2DCS&QCS	2,226,798.29		2,226,798.29			
Renovation of BM1 multi-disc machine	2,105,153.55		2,105,153.55			
Bobst automatic die cutting machine	2,101,017.10		2,101,017.10			
Founder H500 ink-jet printer	1,400,769.24		1,400,769.24			
BM2 air conditioner renovation	1,384,757.22		1,384,757.22			
Licensing and software fee for informalization project of China paper (NC)	1,023,867.54		1,023,867.54			
330# Flexo printing machine non-stop collection / unwinding equipment	1,018,559.87		1,018,559.87			
BM1 air conditioner renovation	955,135.05		955,135.05			
Rubber latex phase II project	797,356.20		797,356.20			

Repair project for large staffs' dormitory	795,400.00		795,400.00			
Other	14,976,001.63		14,976,001.63	4,548,785.17		4,548,785.17
Total	79,155,016.60		79,155,016.60	12,727,295.10		12,727,295.10

(2) Changes in significant construction in progress

Unit: RMB Yuan

Name of project	Budget	Opening balance	Increase in reporting period	Transferred to fixed assets	Other decrease	Project input percentage of budget (%)	Project process	Capitalization of interest	Including: capitalization of interest in this period	Capitalization of interest rate (%)	Source of funding	Closing balance
Rewinder	4,500,000.00	4,370,518.47	680,008.62			112.23%	95%				Other source	5,050,527.09
Renovation project of 100 ton boiler	26,000,000.00	2,977,448.90	11,141,238.57			54.3%	55%				Other source	14,118,687.47
New establishment of warehouses	30,000,000.00	313,448.53	25,403,707.04			85.72%	85%				Other source	25,717,155.57
Renovation of BM2DCS&QCS	2,500,000.00		2,226,798.29			89.07%	90%				Other source	2,226,798.29
Renovation of BM1multi-disc machine	2,500,000.00		2,105,153.55			84.21%	85%				Other source	2,105,153.55
Rubber latex phase II project	100,000,000.00		797,356.20			0.8%	1%				Other source	797,356.20
Food white	25,000,000.00		4,000,910.13			16%	10%				Other source	4,000,910.13

card coated paper double-sided special production line												
Renovation of pulping machine	3,420,000.00		2,800,990.49			81.9%	98%				Other source	2,800,990.49
Total	193,920,000.00	7,661,415.90	49,156,162.89			--	--			--	--	56,817,578.79

13. Engineering materials

No notes of engineering materials:

14. Intangible assets

(1) Information

Unit: RMB Yuan

Item	Opening book balance	Increase in reporting period	Decrease in reporting period	Closing book balance
I. Total original book value	136,952,546.88	57,223,737.06		194,176,283.94
(1) Land use right	123,998,578.84	51,369,935.20		175,368,514.04
(2) Development of coated cow card paper	8,318,225.05			8,318,225.05
(3) Research of new process for papermaking	3,029,721.95			3,029,721.95
(4) Research of liquid packaging paper		2,168,353.05		2,168,353.05
(5) Research of low-white-smoke card paper		3,631,820.08		3,631,820.08
(6) Other	1,606,021.04	53,628.73		1,659,649.77
II. Accumulative amortization	46,498,931.19	3,548,837.96		50,047,769.15
(1) Land use right	35,270,247.19	2,891,410.69		38,161,657.88

(2) Development of coated cow card paper	7,520,007.52	340,920.00		7,860,927.52
(3) Research of new process for papermaking	3,029,721.95			3,029,721.95
(4) Research of liquid packaging paper		64,368.30		64,368.30
(5) Research of low-white-smoke card paper		90,795.51		90,795.51
(6) Other	678,954.53	161,343.46		840,297.99
III. Total net book value of intangible assets	90,453,615.69	53,674,899.10		144,128,514.79
(1) Land use right	88,728,331.65	48,478,524.51		137,206,856.16
(2) Development of coated cow card paper	798,217.53		340,920.00	457,297.53
(3) Research of new process for papermaking				
(4) Research of liquid packaging paper		2,103,984.75		2,103,984.75
(5) Research of low-white-smoke card paper		3,541,024.57		3,541,024.57
(6) Other	927,066.51	-107,714.73		819,351.78
(1) Land use right				
(2) Development of coated cow card paper				
(3) Research of new process for papermaking				
(4) Research of liquid packaging paper				
(5) Research of low-white-smoke card paper				
(6) Other				
Total book value of intangible assets	90,453,615.69	53,674,899.10		144,128,514.79
(1) Land use right	88,728,331.65	48,478,524.50		137,206,856.16
(2) Development of coated cow card paper	798,217.53		340,920.00	457,297.53
(3) Research of new process for papermaking				

(4) Research of liquid packaging paper		2,103,984.75		2,103,984.75
(5) Research of low-white-smoke card paper		3,541,024.57		3,541,024.57
(6) Other	927,066.51	-107,714.73		819,351.78

Amortization was of RMB 3,063,822.17 in reporting period.

(2) Company development expense

The increase of original book value of the intangible assets during the reporting period included RMB 19,489,088.69 of land use right measured by fair value on the combination date of 1 Jul. 2012 for the sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. gained through business combination not under the same control.

The increase of accumulative amortization during the reporting period included RMB 485,015.79 of accumulative amortization on the combination date of 1 Jul. 2012 for the sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. gained through business combination not under the same control.

There was no intangible asset used for pledge or guarantee at the end of the reporting period.

15. Goodwill

Unit: RMB Yuan

Name of investee or event that generated goodwill	Opening balance	Increase in the reporting period	Decrease in the reporting period	Closing balance	Impairment provision at period-end
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	9,129,025.01			9,129,025.01	
Zhuhai Jinji Chemicals Co., Ltd.		2,418,280.28		2,418,280.28	
Total	9,129,025.01	2,418,280.28		11,547,305.29	

Notes of test method of goodwill impairment and impairment withdrawal method:

Notes of goodwills: On 30 Jun. 2009, the Company acquired the control of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. through business combination no under the same control with a combination cost of RMB 808,448,700 and acquired recognized fair value of the company amounted to RMB 799,319,700. Goodwill of 9,129,025.01 was formed at the positive balance between combination cost and identifiable net assets of the invested party. At the period-end, combining analysis on estimated recoverable amount of portfolio of assets group to this company's two production lines equipment and present value of expected future cash flow of assets, the Company did not find a impairment sign of goodwill, therefore, the Company had not need to withdrawn the provision for impairment.

The combination cost of the company was RMB 69,000,000.00, and 51% equity of Zhuhai Jinji Chemicals Co., Ltd. was gained from the combination, while the fair value of the identifiable net assets on the date of purchase was RMB 66,581,719.72, and the balance of the above two items of RMB 2,418,280.28 was recognized as goodwill.

On 1 Jul. 2012, the Company gained the control on Zhuhai Jinji Chemicals Co., Ltd. through the

business combination not under the same control with the combination cost of RMB 69,000,000.00, gaining the fair value of the identifiable net assets of the company as RMB 66,581,719.72, the positive balance of RMB 2,418,280.28 between the combination cost and the fair value of the identifiable net assets formed the goodwill. At the end of the reporting period, there was no sign of impairment for goodwill after integrating the analysis on the estimated recoverable amount and current value of the expected future cash flow of the assets group of the two production line equipments, so no provision for impairment shall be withdrawn.

16. Long-term deferred expense

Unit: RMB Yuan

Item	Opening balance	Increase in the reporting period	Amortization amount in the reporting period	Decrease in the reporting period	Closing balance	Reason for other decrease
Decoration expense for rent-in plant	1,000,110.16		222,246.72		777,863.44	
Total	1,000,110.16		222,246.72		777,863.44	--

Notes of long-term deferred expense:

17. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities are not listed as the net value after offset

Recognized deferred income tax assets and deferred income tax liabilities:

Unit: RMB Yuan

Item	Closing balance	Opening balance
Deferred income tax assets		
Provision for assets impairment	10,782,244.25	11,513,327.52
Provision for bad debts	13,211,336.12	11,848,598.16
Provision for falling price of inventories	5,463,164.31	1,091,541.30
Accrued unpaid wages	1,092,275.43	5,210,829.15
Accrued sales agency fees	1,528,718.80	2,454,830.42
Estimated liabilities/ estimated product quality guarantee losses	445,053.52	269,409.52
Accrued paper transportation fees	3,980,552.97	3,467,303.77
Subtotal	36,503,345.40	35,855,839.84
Deferred income tax liabilities:		

Change in fair value of available-for-sale financial assets that was recorded into the capital reserves	231,875.00	182,141.16
Appreciation of assessed intangible assets	3,928,239.88	
Appreciation of assessed fixed assets	1,289,217.37	
Subtotal	5,449,332.25	182,141.16

List of unrecognized deferred income tax assets

Unit: RMB Yuan

Item	Closing balance	Opening balance
Deductible temporary differences	201,333.37	201,333.37
Total	201,333.37	201,333.37

The deductible losses of unrecognized deferred income tax assets that will expire in the following fiscal year

Unit: RMB Yuan

Year	Closing balance	Opening balance	Remark
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List of taxable differences and deductible differences

Unit: RMB Yuan

Item	Amount of temporary difference	
	Period-end	Period-begin
Taxable differences item		
Appreciation of assessed intangible assets	15,712,959.52	
Appreciation of assessed fixed assets	5,156,869.48	
Change in fair value of available-for-sale financial assets that was recorded into the capital reserves	1,545,833.40	1,214,274.52
Subtotal	22,415,662.40	1,214,274.52
Deductible difference item		
Provision for bad debts	69,550,930.31	62,632,749.75
Provision for falling price of inventories	26,234,331.58	6,435,687.37
Provision for falling price of fixed assets	71,352,445.91	75,288,513.69
Accrued unpaid wages	4,369,101.73	25,682,815.65
Accrued sales agency fees	10,191,458.67	16,365,536.16
Estimated liabilities/ estimated product quality guarantee losses	2,967,023.46	1,796,063.48
Accrued paper transportation fees	26,537,019.79	23,115,358.44
Subtotal	211,202,311.45	211,316,724.54

(2) List of net amount of deferred income tax assets and deferred income tax liabilities after write-off

Items of deferred income tax assets and deferred income tax liabilities after offset with each other

Unit: RMB Yuan

Item	Deferred income tax assets or liabilities after offset with each other at the period-end	Deductible or taxable temporary differences after offset with each other at the period-end	Deferred income tax assets or liabilities after offset with each other at the period-begin	Deductible or taxable temporary differences after offset with each other at the period-begin
Deferred income tax assets	36,503,345.40		35,855,839.84	
Deferred income tax liabilities	5,449,332.25		182,141.16	

List of deferred income tax assets and deferred income tax liabilities after offset with each other

Unit: RMB Yuan

Item	Offset amount in the reporting period
Houses and buildings	

Notes of deferred income tax assets and deferred income tax liabilities:

18. List of provision for assets impairment

Unit: RMB Yuan

Item	Opening book balance	Increase in reporting period	Decrease in reporting period		Closing book balance
			Reversal	Written off	
I. Provision for bad debts	62,632,749.75	7,750,097.89	831,917.33		69,550,930.31
II. Provision for falling price of inventories	6,435,687.37	20,269,742.85	242,613.92	228,484.72	26,234,331.58
VII. Provision for impairment of fixed assets	78,086,487.98			1,406,730.98	76,679,757.00
Total	147,154,925.10	28,019,840.74	1,074,531.25	1,635,215.70	172,465,018.89

Notes of the list of assets impairment:

For reasons of provision for impairment of various assets, please refer to the notes to the assets.

19. Short-term loan

(1) Category

Unit: RMB Yuan

Item	Closing balance	Opening balance
Pledge loan	100,000,000.00	157,522,500.00

Guarantee loan	403,000,000.00	1,044,787,500.00
Credit loan	700,423,375.00	275,009,000.00
Trade financing	8,735,539.28	265,822,865.70
Total	1,212,158,914.28	1,743,141,865.70

Notes of category of short-term loan:

(1) The pledge loan of RMB 100,000,000.00 gained on 31 Dec. 2012, the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. signed the Contract on Pledge of Rights YQZ Zi (2012) No. 120584 with Foshan Branch of China CITIC Bank Co., Ltd. on 10 Feb. 2012, which pledged the bank acceptance bills of RMB 100,000,000.00 to Foshan Branch of China CITIC Bank Co., Ltd., and Foshan Branch of China CITIC Bank Co., Ltd. issued a Letter of Guarantee to HongKong Branch of China Trust Commercial Bank Co., Ltd., then the said subsidiary gained a short-term loan of RMB 100,000,000.00. Up to 27 Jun. 2012, the pledged notes of RMB 100,000,000.00 had been all due and replaced as security deposit. On 27 Jun. 2012, the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. signed the Contract on Pledge of Rights YQZ Zi (2012) No. 123618 with Foshan Branch of China CITIC Bank Co., Ltd., which pledged the bank acceptance bills of RMB 50,411,740.98 to Foshan Branch of China CITIC Bank Co., Ltd., to swap out a security deposit of RMB 50,000,000.00. Up to 31 Dec. 2012, the notes receivable of RMB 42,960,937.17 in the above pledged notes had been due and replaced as security deposit, while the other pledged notes of RMB 7,450,803.81 hadn't been due.

Up to 31 Dec. 2012, the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. provided the pledges for the pledge loan as follows: the pledged and undue bank acceptance bills of RMB 7,450,803.81 and the balance of the security deposit of the Security Deposit Account of China CITIC Bank of RMB 92,999,278.05.

(2) The guarantee loan of RMB 403,000,000.00 gained on 31 Dec. 2012, of which: the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. borrowed RMB 100,000,000.00 from the Qianshan Sub-branch of the Agricultural Bank of China, and China Paper Corporation provided the joint liability guarantee for such loan; the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. borrowed RMB 80,000,000.00 from the Gongbei Sub-branch of the Bank of Communications, and borrowed RMB 48,000,000.00 from Guangzhou Branch of China Guangfa Bank, and the Company provided the joint liability guarantee for both loans; the sub-subsidiary Zhuhai Huafeng Paper Co., Ltd. borrowed RMB 30,000,000.00 from Zhuhai Branch of the Agricultural Bank of China, and China Paper Corporation provided the joint liability guarantee for such loan; the sub-subsidiary Zhuhai Huafeng Paper Co., Ltd. borrowed RMB 50,000,000.00 from the business department of Zhuhai Branch of China Merchants Bank, and the subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. provided the joint liability guarantee for such loan; the Company borrowed RMB 95,000,000.00 from Foshan Huada Sub-branch of the Agricultural Bank of China, and China Paper Corporation provided the joint liability guarantee for such loan.

(3) The credit loan of RMB 700,423,375.00 gained on 31 Dec. 2012, of which: the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. borrowed USD 14,250,000.00

(translated into RMB 89,568,375.00) from Amsterdam Sub-branch of the Industrial and Commercial Bank of China, and Guangdong Provincial Branch of the Industrial and Commercial Bank of China issued the Letter on Credit Guarantee; the subsidiary Huaxin (Foshan) Color Printing Co., Ltd. borrowed RMB 25,000,000.00 from the Bank of China, and the Company provided the joint liability guarantee for such loan.

(4) The trade financing loan of RMB 8,735,539.28 gained on 31 Dec. 2012, of which: the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. gained the trade financing loan of RMB 3,415,093.80 by import bill advance of LC; the subsidiary Foshan Chengtong Paper Co., Ltd. gained the trade financing loan of RMB 5,320,445.48, and Foshan Huaxin Packaging Co., Ltd. provided the joint liability guarantee for such loan.

(2) No List of unsettled mature short-term loan at the end of this period

20. Notes payable

Unit: RMB Yuan

Category	Closing balance	Opening balance
Bank acceptance bill	21,440,149.18	86,277,224.67
Total	21,440,149.18	86,277,224.67

RMB21,440,149.18 will be due in next fiscal period.

Notes of notes payable:

Relevant guarantee money with an amount of RMB 774,000 .00 was deposited in notes payable.

21. Accounts payable

(1) Accounts payable

Unit: RMB Yuan

Item	Closing balance	Opening balance
Within 1 year	322,681,001.39	532,613,520.79
1-2 years	211,033.05	22,894,745.06
2-3 years	774,555.87	5,533,919.59
Over 3 years	2,841,239.67	1,669,065.31
Total	326,507,829.98	562,711,250.75

(2) No accounts payable to shareholders with more than 5% (including 5%) of the voting shares of the Company

(3) Accounts payable due to related parties at the end of reporting period

Name of entity	Closing balance	Opening balance
Foshan Huaxin Import & Export Co., Ltd.	4,027,649.29	4,027,649.29
China National Paper-Industry Investment Corporation	6,163,162.17	19,093,768.29
Guangdong Guanhao High-tech Co., Ltd.		19,867.28
Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	8,417,209.78	
Total	18,608,021.24	23,141,284.86

(4) Explanation on significant accounts payable aging over one year

Name of entity	Closing balance	Reason for unsettlement	Remark (remark for those after balance sheet date)
Zhuhai Gas Co., Ltd.	819,425.16	Under the settlement	
Vioth paper gmbh	440,000.00	Under the settlement	
Total:	1,259,425.16		

22. Advance from customers

(1) Advance from customers

Unit: RMB Yuan

Item	Closing balance	Opening balance
Within 1 year	28,025,682.57	114,240,243.39
1-2 years	616,912.74	
2-3 years	345,205.50	
Total	28,987,800.81	114,240,243.39

(2) No Advanced from customers from shareholders with more than 5% (including 5%) of the voting shares of the Company

(3) Explanation on accounts receivable aging over one year

Name of entity	Closing balance	Reason for unsettlement	Remark (remark for those have been carried forward or paid back after balance sheet date)
Guangxi Yuejing Pulp Paper Co., Ltd.	283,005.50	Unsettled	
Holotek Corporation	60,000.00	Unsettled	

23. Payroll payable

Unit: RMB Yuan

Item	Opening book balance	Increase in reporting period	Decrease in reporting period	Closing book balance
I. Salary, bonus, allowance, subsidy	26,005,815.65	160,838,324.91	171,049,722.76	15,794,417.80
II. Employee welfare	322,932.47	6,683,136.72	6,683,136.72	322,932.47
III. Social insurance	6,865.62	20,641,687.08	20,624,732.41	23,820.29
IV. Housing fund	191,924.00	3,574,703.88	3,766,627.88	
VI. Others	4,887,464.19	5,416,932.01	4,311,891.37	5,992,504.83
Total	31,415,001.93	197,154,784.60	206,436,111.14	22,133,675.39

The labor union budget and employee education budget is RMB 5,992,504.83.

24. Taxes payable

Unit: RMB Yuan

Item	Closing balance	Opening balance
VAT	10,395,693.60	-34,504,411.38
Business tax	3,508,971.93	3,589.89
Corporate income tax	68,920,147.28	13,442,943.59
Personal income tax	163,454.41	71,306.79
Urban maintenance and construction tax	1,751,021.90	84,966.38
Property tax	1,178,160.92	362,339.83
Education surtax	1,255,354.79	65,315.15
Levee expense	272,139.69	160,777.82
Stamp tax	1,548,649.16	1,273,243.92

Other	546,231.12	9,088.26
Total	89,539,824.80	-19,030,839.75

Notes of taxes payable: for the taxable income of branch companies and factories approved to be inter-adjusted by their local tax authorities, the Company shall specified their calculation procedure:

25. Interest payable

Unit: RMB Yuan

Item	Closing balance	Opening balance
Interest payable on long-term borrowings that interest was paid by stages and principle was repay upon due		193,034.72
Interest payable on short-term borrowings	5,136,504.84	6,103,507.99
Interest payable arising from capital of medium term notes assigned for loan	19,266,666.71	18,866,666.70
Zhejiang Jinji Holdings Co., Ltd.	637,400.00	
Total	25,040,571.55	25,163,209.41

Notes:

26. Dividends payable

Unit: RMB Yuan

Name of entity	Closing balance	Opening balance	Reason for unsettlement over 1 year
Foshan Xinhui Industrial Development Co., Ltd.	54,494.00	54,494.00	
Foshan Light Industry Company	79,264.00	79,264.00	
Foshan Asset Administration Center	113,942.00		
Yanlord Industries Pte. Ltd.	10,065,774.75		
Yunnan Hongta Group Co., Ltd.	23,486,807.76		
Xinbang (Group) Hong Kong Ltd.	9,562,048.09		
Jinhou International Chemicals (Hong Kong) Co., Ltd.	4,300,316.18		
Zhejiang Jinji Holdings Co., Ltd.	12,900,948.53		
Total	60,563,595.31	133,758.00	--

Notes:

The closing balance of the dividends payable included the dividends payable of RMB 26,763,312.80 for the former shareholders—Xinbang (Group) Hong Kong Ltd., Jinhou

International Chemicals (Hong Kong) Co., Ltd. and Zhejiang Jinji Holdings Co., Ltd. by the subsidiary Zhuhai Jinji Chemicals Co., Ltd., which was included into the consolidated scope by business combination not under the same control on 1 Jul. 2012.

27. Other accounts payable

(1) Other accounts payable

Unit: RMB Yuan

Item	Closing balance	Opening balance
Within 1 year	14,690,977.10	7,966,953.43
1-2 years	6,260,122.32	79,453,074.88
2-3 years	8,215,634.81	5,590,478.25
Over 3 years	2,089,293.60	254,953.39
Total	31,256,027.83	93,265,459.95

(2) Other accounts payable from shareholders with more than 5% (including 5%) of the voting shares of the Company

Unit: RMB Yuan

Name of entity	Closing balance	Opening balance
Foshan Huaxin Development Co., Ltd.	11,756,255.21	63,000,000.00
Total	11,756,255.21	63,000,000.00

(3) Notes of the other large amount accounts payable aging over 1 year

Name of entity	Closing balance	Reason for unpayment	Remark
Yunan Yuxi Tengyin Logistics Co., Ltd.	1,050,000.00	Logistics margin	
China Merchants Logistics	800,000.00	Logistics margin	
Guangdong Xinliang Container Transportation Co., Ltd.	750,000.00	Logistics margin	
Jiangxi Zhongshun Automotive logistics Co., Ltd.	560,000.00	Logistics margin	
Zhengzhou Xundi Transportation Co., Ltd.	330,000.00	Logistics margin	

(4) Notes of other accounts payable with significant amount

Name of entity	Closing balance	Nature or content	Remark
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Foshan Huaxin Development Co., Ltd.	11,756,255.21	Current account	
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28. Estimated liabilities

Unit: RMB Yuan

Item	Opening balance	Increase in reporting period	Decrease in reporting period	Closing balance
Other	1,796,063.48	1,170,959.98		2,967,023.46
Total	1,796,063.48	1,170,959.98		2,967,023.46

Notes of estimated liabilities:

29. Non-current liabilities due within 1 year

(1) Non-current liabilities due within 1 year

Unit: RMB Yuan

Item	Closing balance	Opening balance
Long-term loan due within 1 year		230,000,000.00
Total		230,000,000.00

(2) Long-term loan due within 1 year

Long-term loan due within 1 year

Unit: RMB Yuan

Item	Closing balance	Opening balance
Guarantee loan		230,000,000.00
Total		230,000,000.00

Top five long-term loans due within 1 year

Unit: RMB Yuan

Creditor	Starting date	Ending date	Currency	Rate (%)	Closing balance		Opening balance	
					Foreign currency balance	RMB balance	Foreign currency balance	RMB balance
Foshan Huada Subbranch of Agricultural Bank of China	2 Feb. 2010	1 Feb. 2012	RMB Yuan	6.32%				60,000,000.00

Foshan Huada Subbranch of Agricultural Bank of China	17 Jun. 2010	16 Jun. 2012	RMB Yuan	5.99%				40,000,000.00
Foshan Huada Subbranch of Agricultural Bank of China	28 Apr. 2010	27 Apr. 2012	RMB Yuan	6.32%				30,000,000.00
Chegongmia o Subbranch of China Merchants Bank	15 Jul. 2010	15 Jul. 2012	RMB Yuan					100,000,000.00
Total	--	--	--	--	--		--	230,000,000.00

(3) No bonds payable due within 1 year in the reporting period

(4) No long-term accounts payable due within 1 year in the reporting period

30. Long-term loan

(1) Category of long-term loan

Unit: RMB Yuan

Item	Closing balance	Opening balance
Guarantee loan		55,000,000.00
Total		55,000,000.00

Notes of category of long-term loan:

(2) The top five long-term loans

Unit: RMB Yuan

Creditor	Starting date	Ending date	Currency	Rate (%)	Closing balance		Opening balance	
					Foreign currency amount	RMB amount	Foreign currency amount	RMB amount

Foshan Huada Subbranch of Agricultural Bank of China	5 Sept. 2012	4 Sept. 2014	RMB Yuan	6.98%				30,000,000.00
Foshan Branch of Bank of China	11 Aug. 2010	10 Aug. 2013	RMB Yuan	5.13%				25,000,000.00
Total	--	--	--	--	--		--	55,000,000.00

Notes of long-term loans: RMB 55 million of the opening balance of the long-term loans had been paid in advance in 2012.

31. Bonds payable

Unit: RMB Yuan

Name	Par value	Issuance date	Term	Issuing amount	Opening interest payable	Closing interest payable	Interest paid in the reporting period	Closing interest payable	Closing balance
Corporate bonds	800,000,000.00	26 Nov. 2012	5 years	791,700,000.00		4,640,000.00		4,640,000.00	796,481,868.00

Notes of bonds payable, including the conditions and date of conversion of the convertible corporate bonds:

In accordance with the Resolution Made at the 6th Session of the 5th Board of Directors on 16 Dec. 2012, and the Resolution Made at the First Special Shareholders' General Meeting for 2012 on 4 Jan. 2012, as well as the approval of CSRC with the Reply on Approving the Public Issuance of Corporate Bonds for Foshan Huaxin Packaging Co., Ltd. (ZJXK [2012] No. 725) on 28 May 2012, the Company publicly issued 8 million pieces of corporate bonds with the par value of RMB 100 per piece by adopting the ways of online public issuance for the public investors and off-line inquiry placing for the institution investors, with the nominal rate of 5.8%, and the term of bonds was five years from the date of issuance, and the raised capital after deducting the bond issuance underwriting fees and custodian fees was RMB 791,700,000.00, and the interest period started from 26 Nov. 2012.

32. Long-term payable

(1) The top five long-term payable

Unit: RMB Yuan

Company	Term	Initial amount	Rate (%)	Accrued interest	Closing balance	Conditions of loan
China Chengtong Holding Group Co., Ltd.	5 years	500,000,000.00	4.8%	24,400,000.00	500,000,000.00	
Zhejiang Jinji Holdings Co., Ltd.		29,400,000.00	6%	1,223,147.15	29,400,000.00	

33. Other non-current liabilities

Unit: RMB Yuan

Item	Closing book balance	Opening book balance
Funds for desulfurization project	1,056,000.00	1,122,000.00
Funds for energy-saving and emission-reduction	540,000.00	570,000.00
Renovation project of the information system of paper-making enterprise energy management center	800,000.00	
No. 1 paper machine update & renovation project	240,000.00	
Total	2,636,000.00	1,692,000.00

Notes of other non-current liabilities, including each government grants relevant to assets and income received in the reporting period and their closing amounts:

1. The special appropriation by the Finance Bureau for the desulphurization project at the end of the reporting period referred to the appropriation of RMB 1,320,000.00 from Foshan Finance Bureau to the subsidiary Foshan Chengtong Paper Co., Ltd. in 2007. The relevant assets were put in use, and were written off according to their estimated depreciation period from the day of use, and RMB 66,000.00 was recorded into the current non-operating revenue.
2. According to the Notice of the Ministry of Finance on 2009 Central State-owned Capital Operation Budget Special Appropriation (CQ [2009] No. 411), the subsidiary Foshan Chengtong Paper Co., Ltd. received energy-saving and emission reduction funds of RMB 600,000.00 from China Paper Corporation for transforming the sewage fiber ball filtering system. The system was put into use and amortized over the asset depreciation period from this year, and RMB 30,000.00 was carried forward to the non-operating revenue.
3. In accordance with the Notice of Zhuhai Municipal Bureau of Finance on Delivering the Interest Subsidy Funds on Technical Renovation of the Provincial Industrial Structure Adjustment Special Funds in 2012 (ZCG [2012] No. 066), the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. gained the government grant of RMB 800,000.00 for the information system renovation project of the Paper-making Enterprises Energy Management Centre in Sept. 2012; in accordance with ZKGMXJ [2012] No. 15 document of Zhuhai Municipal Technology & Industry Trade and Information Bureau and Zhuhai Municipal Bureau of Finance, the subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. received the government grant of RMB

240,000.00 for the upgrading of Paper Machine No. 1 in Oct. The above government grants relevant to the assets haven't been used in the reporting period, so they aren't recorded in the non-operating revenue.

34. Share capital

Unit: RMB Yuan

	Opening balance	Increase/Decrease (+/-)					Closing balance
		Issuing new shares	Bonus shares	Capitalization of public reserves	Other	Subtotal	
Total shares	505,425,000.00						505,425,000.00

Notes of changes in share capital, for those action of increasing capital or decreasing capital in the reporting period, the Company shall disclose the name of the accounting firm executing the capital verification and document number of the capital verification report; for joint-stock companies running for less than three years, only the net assets shall be specified for particulars before establishment; while for case of totally changing the limited liability companies into joint-stock companies, capital verification on the establishment shall be specified:

35. Capital reserves

Unit: RMB Yuan

Item	Opening balance	Increase in the reporting period	Decrease in the reporting period	Closing balance
Capital premium (share capital premium)	261,931,302.59			261,931,302.59
Other capital reserves	41,618.96	118,268.72		159,887.68
Total	261,972,921.55	118,268.72		262,091,190.27

Notes:

36. Surplus reserves

Unit: RMB Yuan

Item	Opening balance	Increase in the reporting period	Decrease in the reporting period	Closing balance
Statutory surplus reserves	133,989,447.19	36,347,658.90		170,337,106.09
Total	133,989,447.19	36,347,658.90		170,337,106.09

Notes of surplus reserves: for surplus reserves transferred to share capital, compensating losses and distributed as dividends, relevant resolutions shall be explained:

37. Retained profits

Unit: RMB Yuan

Item	Amount	Withdrawal or distributed proportion
Opening balance of retained profits before adjustments	637,158,732.82	--
Adjustments of opening balance of retained profits ("+" means add, "-" means reduce)	0	--
Opening balance of retained profits after adjustments	637,158,732.82	--
Add: Attributable to owners of the Company	268,480,430.68	—
Less: Withdrawal of statutory surplus reserves	36,347,658.90	10%
Dividend of common stock payable	101,085,000.00	
Closing retained profits	768,206,504.60	--

List of adjustment of opening retained profits:

- 1) RMB0.00 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- 2) RMB0.00 opening retained profits was affected by changes on accounting policies.
- 3) RMB0.00 opening retained profits was affected by correction of significant accounting errors.
- 4) RMB0.00 opening retained profits was affected by changes in combination scope arising from same control.
- 5) RMB0.00 opening retained profits was affected totally by other adjustments.

Notes: as for IPO companies, if the accumulated profits were enjoyed by new and original shareholders according to the resolutions made at the shareholders' general meeting before public offering, the Company shall explain clearly; if the accumulated profits were distributed before public offering and enjoyed by the original shareholders according to the resolutions made at the shareholders' general meeting, the Company shall clearly disclose the audited profits of dividends payable enjoyed by the original shareholders:

Other notes to retained profits: withdrew the statutory surplus reserves at 10% of the total net profits of the Company of RMB 363,476,588.99.

38. Revenue and Cost of Sales

(1) Revenue, Cost of Sales

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Revenue from main business	3,459,925,967.03	3,988,209,492.47

Revenue from other business	186,776,273.79	38,314,276.12
Main business cost	3,045,672,151.91	3,388,158,598.59
Other business cost	103,004,311.96	31,964,357.98

(2) Main business (Classified by industry)

Unit: RMB Yuan

Name of industry	Reporting period		Same period of last year	
	Revenue of sales	Cost of sales	Revenue of sales	Cost of sales
Industry	3,459,925,967.03	3,045,672,151.91	3,988,209,492.47	3,388,158,598.59
Service industry				
Total	3,459,925,967.03	3,045,672,151.91	3,988,209,492.47	3,388,158,598.59

(3) Main business (Classified by product)

Unit: RMB Yuan

Name of product	Reporting period		Same period of last year	
	Revenue of sales	Cost of sales	Revenue of sales	Cost of sales
White board paper	503,807,864.71	476,971,191.93	741,957,444.80	658,281,629.05
White card paper	2,618,534,230.62	2,292,937,258.22	3,049,954,444.87	2,577,597,462.12
Printing products	219,023,051.72	176,797,785.91	196,297,602.80	152,279,507.42
Liquid packaging paper	7,376,534.29	6,406,462.93		
Rubber latex	111,181,096.82	92,557,137.10		
Calcium carbonate	3,188.87	2,315.82		
Total	3,459,925,967.03	3,045,672,151.91	3,988,209,492.47	3,388,158,598.59

(4) Main business (Classified by area)

Unit: RMB Yuan

Area	Reporting period		Same period of last year	
	Revenue of sales	Cost of sales	Revenue of sales	Cost of sales
Domestic sales	2,989,514,752.71	2,590,302,611.33	3,428,774,754.61	2,865,749,903.22
Export	470,411,214.32	455,369,540.58	559,434,737.86	522,408,695.37
Total	3,459,925,967.03	3,045,672,151.91	3,988,209,492.47	3,388,158,598.59

(5) The revenue of sales from the top five customers

Unit: RMB Yuan

Customer	Main business revenue	Proportion of total business revenue (%)
No. 1	330,511,123.38	9.55
No. 2	136,909,614.82	3.96
No. 3	110,750,172.90	3.20
No. 4	87,694,519.84	2.53
No. 5	70,932,113.25	2.05
Total	736,797,544.19	21.30

Notes:

39. Business tax and surtax

Unit: RMB Yuan

Item	Reporting period	Same period of last year	Calculation and payment standard
Consumption tax	0.00	0.00	
Business tax	3,549,162.20	3,589.89	
Urban maintenance and construction tax	5,415,004.05	6,572,777.30	
Education surtax	3,862,861.47	4,692,159.71	
Levee expense	1,886,396.82	1,645,219.50	
Total	14,713,424.54	12,913,746.40	--

Notes:

40. Selling expenses

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Wages	11,203,856.23	13,660,424.75
Transportation fees	121,934,481.56	115,589,108.22
Sales agency fees	6,411,775.65	9,670,190.49
Entertainment expense	9,272,799.93	6,601,421.58
Warehousing fees / rental expense	11,552,916.73	9,635,860.65
Other	21,560,443.66	9,901,591.57
Total	181,936,273.76	165,058,597.26

41. Administrative expenses

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Wages	44,013,480.20	47,899,379.54
Taxes	9,323,566.29	10,746,197.34
Office expense	2,879,743.03	2,041,297.76
Maintenance expense and material consumption	1,816,179.65	3,687,541.44
Depreciation expense	20,847,615.57	12,911,679.42
Other	77,443,751.64	57,372,879.35
Total	156,324,336.38	134,658,974.85

42. Financial expenses

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Interest expenditures	176,053,911.30	141,970,669.00
Less: interest income	-2,609,314.15	-3,877,340.36
Foreign exchange losses	8,611,636.93	-2,936,254.85
Less: foreign exchange gains and losses		-11,353,736.86
Other	7,912,680.99	9,363,786.28
Total	189,968,915.07	133,167,123.21

43. No gains and losses from changes in fair value during the year

44. Investment income

(1) List of investment income

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by equity method	50,798,130.21	58,652,084.23
Investment income arising from disposal of long-term equity investments	280,258,717.64	
Total	331,056,847.85	58,652,084.23

(2) No long-term equity investment income accounted by cost method in this period

(3) Long-term equity investment income accounted by equity method

Unit: RMB Yuan

Name of investee	Reporting period	Same period of last year	Reason for increase/decrease
Tetra Pak (Foshan) Packaging Co., Ltd.	50,618,539.07	58,955,870.78	Already transferred into equity in the year
Guangdong Chengtong Logistics Co., Ltd.	179,591.14	-303,786.55	Change in business performance
Total	50,798,130.21	58,652,084.23	--

Notes of investment income: make notes if there is significant limitation for recovery of investment income. If there isn't the said limitation, notes too:

There was no significant limitation for recovery of investment income.

45. Asset impairment losses

Unit: RMB Yuan

Item	Reporting period	Same period of last year
I. Bad debts losses	6,918,180.56	-1,483,650.98
II. Inventory falling price losses	20,027,128.93	-2,380,438.89
Total	26,945,309.49	-3,864,089.87

46. Non-operating gains

(1) Non-operating gains

Unit: RMB Yuan

Item	Reporting period	Same period of last year	Amount recorded into current non-recurring gains and losses
Total gains from disposal of non-current assets	102,559.32	208,221.43	102,559.32
Including: Gains from disposal of fixed assets	102,559.32	208,221.43	102,559.32
Government grants	10,528,559.91	4,328,764.79	10,528,559.91
Other	7,520,437.44	2,602,240.71	7,520,437.44
Total	18,151,556.67	7,139,226.93	18,151,556.67

(2) List of government grants

Unit: RMB Yuan

Item	Reporting period	Same period of last year	Note
Awards for transformation and upgrading of processing trade by Zhuhai Municipal Bureau of Finance	110,000.00		Awards for transformation and upgrading of processing trade
Award fund for Sample Enterprises Gaining Excellence on Market Operation test for Y2011 of Zhuhai Municipal Bureau of Finance	10,000.00		Award fund for Sample Enterprises Gaining Excellence on Market Operation test
Funds for the independent brand projects of processing trade by transformation and upgrading paid by Zhuhai Industry and Trade Department from the provincial appropriation	70,000.00		Funds for the independent brand projects of processing trade by transformation and upgrading
Advanced Awards for Industry and Commerce from Zhuhai Social Insurance Fund Management Center	10,000.00	5,000.00	Advanced Awards for Industry and Commerce
Price subsidies for industrial water	4,218,076.80	3,431,163.60	Price subsidies for industrial water
Awards for corporate energy saving and consumption reduction	1,200,000.00	100,000.00	Awards for corporate energy saving and consumption reduction
Award subsidy of energy saving for key energy consuming enterprises	50,000.00		Awards for corporate energy saving and consumption reduction
Awards for Guangdong provincial energy-saving advanced enterprise	180,000.00		Awards for corporate energy saving and consumption reduction
Special fund for energy saving in 2012 of Zhuhai Municipal Bureau of Finance	500,000.00		Special fund for energy saving
Awards of Zhuhai Municipal Bureau of Finance	100,000.00		Awards
Discount funds for promoting the imports of enterprises in Guangdong for 2012 of Zhuhai Municipal Bureau of Finance	3,357,936.00		Import discount funds
Funds for famous brands and trademarks in 2012 of Zhuhai	100,000.00		Funds for famous brands and trademarks

Municipal Bureau of Finance			
Awards for enterprise development of Zhuhai Municipal Bureau of Finance	324,497.11		Development awards
Subsidy for patents application of Zhuhai Municipal Bureau of Finance	32,050.00		Subsidy for patents application
Support funds	20,000.00		Support funds for enterprise development
Special funds for the desulfurization project paid by Foshan Municipal Bureau of Finance	66,000.00		Funds for the desulfurization project
Energy-saving and emission-reduction funds for reforming the sewage fiber ball filter system	30,000.00		Funds for energy saving and emission reduction
Subsidy for energy saving of Foshan Municipal Bureau of Finance	30,000.00		Funds for energy saving
Awards for clearing production and energy saving of Foshan	20,000.00		Awards for clearing production and energy saving
Special subsidy for environmental protection (VOCS)	100,000.00		Special subsidy for environmental protection
Funds for the desulfurization project		66,000.00	
Funds for energy saving and emission reduction		30,000.00	
Guangdong provincial import discount funds in 2010		166,601.19	Special funds for the discount of loans of small and medium-sized enterprises
Awards for safe production in 2010		30,000.00	Awards for safe production
Funds for the transformation and upgrading of processing trade paid by the Ministry of Finance		200,000.00	Funds for the transformation and upgrading of processing trade
Special awards for environmental protection		100,000.00	
Funds for the independent brand projects of processing trade by transformation and upgrading paid by Zhuhai Industry and Trade		200,000.00	Funds for the independent brand projects of processing trade by transformation and upgrading

Department from the provincial appropriation			
Total	10,528,559.91	4,328,764.79	--

Note:

47. Non-operating expenses

Unit: RMB Yuan

Item	Reporting period	Same period of last year	Amount recorded into current non-recurring gains and losses
Loss on disposal of non-current assets	333,965.61	94,592.32	333,965.61
Including: Loss on disposal of fixed assets	333,965.61	94,592.32	333,965.61
External donation expense	85,000.00	20,000.00	85,000.00
Fine expenses, claims and overdue fine	25,526.86	1,894,373.04	25,526.86
Other	1,774,217.51	966,506.46	1,774,217.51
Total	2,218,709.98	2,975,471.82	2,218,709.98

Note

48. Income tax expense

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Current income tax expense accounted by tax and relevant regulations	69,631,763.60	29,994,678.93
Adjustment of income tax	-801,526.84	1,804,366.01
Total	68,830,236.76	31,799,044.94

49. Calculation process of basic EPS and diluted EPS

Calculation formula for data above:

1. Basic EPS

Basic EPS = $P_0 \div S$

$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$

Of which: P_0 represents the amounts attributable to ordinary equity holders of the Company in respect of:

(a) Profit or loss attributable to the Company; and

(b) Profit or loss after deducting extraordinary gain or loss attributable to the Company.

S represents the weighted average number of ordinary shares outstanding during the period. S_0 represents the number of ordinary shares at the beginning of the period. S_1 represents the number of additional ordinary shares issued on capital surplus transfer or share dividends appropriation; S_i represents the number of ordinary shares issued in exchange for cash or issued as a result of the conversion of a debt instrument to ordinary shares during the period. S_j represents reduced

number of ordinary shares such as shares buy back. Sk represents the number of a reverse share split. Mo represents the months during the period. Mi represents the months from the following month after issuing incremental shares to the end of the period. Mj represents the months from the following month after reducing shares to the end of the period.

2. Diluted EPS

Diluted EPS = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{The weighted average number of incremental ordinary shares on warrants, options, convertible debt and so on})$

Of which: P1 represents the amounts attributable to ordinary equity holders of the Company in respect of: (a) Profit or loss attributable to the Company; and (b) Profit or loss after deducting extraordinary gain or loss attributable to the Company, adjust according to the accounting standards for enterprises and other relevant provisions. The Company considered in sequence from dilutive potential ordinary shares to get the lowest earnings per share.

Calculating process:

(1) Basic EPS

For the Company, the basic earnings per share shall be calculated by dividing the consolidated net profits belonging to the shareholders of ordinary shares by the weighted average number of ordinary shares issued to the public

Item	Occurred amount in current year	Occurred amount in last year (note)
Consolidated net profits belonging to the shareholders of ordinary shares	268,480,430.68	111,933,677.75
Weighted average number of ordinary shares issued to the public	505,425,000.00	505,425,000.00
Basic EPS (Yuan/share)	0.53	0.22

Process of calculating weighted average number of ordinary shares

Item	Occurred amount in current year	Occurred amount in last year (note)
Ordinary shares issued at the beginning of the period	505,425,000.00	505,425,000.00
Add: Weighted average number of ordinary shares issued at the current period		
Less: Weighted average number of ordinary share repurchased at the current period		
Weighted average number publicly issued at the end of the period	505,425,000.00	505,425,000.00

Note: the above date was adjusted in accordance with Accounting Standards of Business Enterprise No. 34— Basic EPS.

(2) Diluted EPS

For the Company, the diluted EPS shall be calculated by dividing the adjusted consolidated net profits belonging to the shareholders of ordinary shares by the adjusted weighted average number of ordinary shares issued to the public

Item	Occurred amount in	Occurred amount in
------	--------------------	--------------------

	current year	last year
Consolidated net profits belonging to the shareholders of ordinary shares (diluted)	268,480,430.68	111,933,677.75
Weighted average number of ordinary shares issued to the public (diluted)	505,425,000.00	505,425,000.00
Diluted EPS (Yuan/share)	0.53	0.22

Process of calculating weighted average number of ordinary shares (diluted):

Item	Occurred amount in current year	Occurred amount in last year
Weighted average number of ordinary shares issued to the public at period-end when calculating basic EPS	505,425,000.00	505,425,000.00
Affect of convertible bond		
Affect of stock option		
Weighted average number of ordinary shares at period-end (diluted)	505,425,000.00	505,425,000.00

50. Other comprehensive income

Unit: RMB Yuan

Item	Reporting period	Same period of last year
1. Profits/(losses) from available-for-sale financial assets	331,558.87	-1,800,457.79
Less: Effects on income tax generating from available-for-sale financial assets	49,733.83	-270,068.68
Subtotal	281,825.04	-1,530,389.11
Total	281,825.04	-1,530,389.11

Notes:

51. Notes of Cash Flow Statement

(1) Other cash received relevant to operating activities

Unit: RMB Yuan

Item	Amount
Income from government grants	5,948,702.96
Interest income from normal bank deposit	3,169,916.97
Deposit	300,000.00
Income from waste	5,155,539.04

Insurance indemnity	217,851.85
Contracting fees received	5,070,509.44
Other	5,856,957.81
Total	25,719,478.07

Notes of other cash received relevant to operating activities

(2) Other cash paid relevant to operating activities

Unit: RMB Yuan

Item	Amount
In-comings and out-goings with non-related parties	105,224,626.43
Business entertainment fees	14,716,419.39
Product transportation expense	13,724,824.06
Rental expense	12,061,838.41
Repair expenses	7,589,068.59
Bank charges	6,782,926.60
Agency fees	6,411,775.65
Automotive expense	4,797,653.60
Travel expense	4,648,942.61
Expenses for intermediaries	3,522,222.64
Water & electricity and property management charges	3,132,415.02
Office expense	2,846,813.75
Test printing fees	2,160,250.01
Forktruck fees	1,686,278.87
Insurance fees	1,406,179.86
Communication expense	1,347,161.29
Sewage charges	1,122,926.27
Other	7,695,125.31
Total	200,877,448.36

Notes

(3) Other cash received relevant to investment activities

Unit: RMB Yuan

Item	Amount
Opening balance of cash from combining Zhuhai Jinji Chemicals Co., Ltd.	61,652,343.69

by holding	
Total	61,652,343.69

Notes

(4) Other cash paid relevant to investment activities

Unit: RMB Yuan

Item	Amount
Other cash paid relevant to investment activities	575,253.00
Total	575,253.00

Notes:

(5) Other cash received relevant to financing activities

Unit: RMB Yuan

Item	Amount
Naught	0.00

Note:

(6) Other cash paid relevant to financing activities

Unit: RMB Yuan

Item	Amount
Finance advisory fees	141,756.90
Limited margin	95,471,795.37
Financing fees	4,351,054.65
Total	99,964,606.92

Note:

52. Appendix of Cash Flow Statement

(1) Appendix of Cash Flow Statement

Unit: RMB Yuan

Supplemental information	Reporting period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	206,296,975.49	195,483,254.57
Add: Provision for impairment of assets	26,945,309.49	-3,864,089.87

Depreciation of fixed assets, of oil-gas assets, of productive biological assets	178,244,949.36	148,203,722.98
Amortization of intangible assets	3,063,822.17	7,565,223.52
Amortization of long-term deferred expense	222,246.72	111,123.35
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	231,406.29	-113,629.11
Financial cost (gains: negative)	187,771,735.63	129,608,229.64
Investment loss (gains: negative)	-331,056,847.85	-58,652,084.23
Decrease in deferred income tax assets (gains: negative)	-647,505.56	-1,119,284.07
Increase in deferred income tax assets (decrease: negative))	5,267,191.09	
Decrease in inventory (gains: negative)	115,804,398.66	-250,226,233.58
Decrease in accounts receivable from operating activities (gains: negative)	-72,783,518.59	-447,469,435.64
Increase in payables from operating activities (decrease: negative)	-300,195,566.64	72,237,880.45
Net cash flows generated from operating activities	19,164,596.26	-208,235,321.99
2. Investing and financing activities that do not involving cash receipts and payment:	--	--
3. Net increase in cash and cash equivalents	--	--
Closing balance of cash	378,872,416.49	364,560,090.87
Less: Opening balance of cash	364,560,090.87	273,854,613.40
Net increase in cash and cash equivalents	14,312,325.62	90,705,477.47

(2) Information about acquisition or disposal of subsidiary and other business units in the reporting period

Unit: RMB Yuan

Supplementary Information	Reporting period	Same period of last year
I. Information about acquisition of subsidiaries and other business units:	--	--
1. Price of the acquisition of subsidiaries and other business units	69,000,000.00	
2. Cash and cash equivalents paid for the acquisition of subsidiaries and other business units	69,000,000.00	
Less: Cash and cash equivalents held by subsidiaries and other business units	61,652,343.69	
4. Net assets from the acquisition of subsidiaries	83,978,954.82	
Current assets	225,149,092.77	
Non-current assets	33,685,901.38	

Current liabilities	174,856,039.33	
II. Information about disposal of subsidiaries and other business units	--	--
2. Cash and cash equivalents received from the disposal of subsidiaries and other business units		2,997,210.10
4. Net assets from the disposal of subsidiaries		2,997,210.10
Current assets		2,997,210.10

(3) Composition of cash and cash equivalents

Unit: RMB Yuan

Item	Closing balance	Opening balance
I. Cash	378,872,416.49	364,560,090.87
Including: cash in hand	384,346.80	401,600.74
Bank deposit can be used for payment at any time	377,488,517.15	363,994,114.51
Other monetary funds can be used for payment at any time	999,552.54	164,375.62
III. Closing balance of cash and cash equivalents	378,872,416.49	364,560,090.87

Note to Supplementary Information of Cash Flow Statement

53. Note to changes in owners' equity

Explain the "Other" items to be adjusted at the end of the first half year and the adjusted amount; the retroactive adjustment due to consolidation of enterprises under the same control:

VIII. Relationship and Related Party Transactions

1. Particulars about the parent company of the Company:

Unit: RMB Yuan

Name of parent company	Relationship	Enterprise nature	Registration place	Legal representative	Business nature	Registered capital	Proportion of parent company's shareholding to the company (%)	Proportion of parent company's voting right to the company (%)	Ultimate controller of the company	Organization code
Foshan Huaxin Development Co.,	Controlling shareholder	Limited company	Foshan	Tong Laiming	Manufacturing	457930000	65.2%	65.2%	China Chengtong Holding Group Co.,	19353992-5

Ltd.									Ltd.	
China National Paper-industry Investment Corporation	Actual controller	State-owned	Beijing	Tong Laiming	Integrated industry	2319288000	65.31%	65.31%	China Chengtong Holding Group Co., Ltd.	10000890-7
China Chengtong Holding Group Co., Ltd.	Controlling shareholder	Limited company (solely state-owned)	Beijing	Ma Zhengwu	Integrated industry	5820165600	65.42%	65.42%	China Chengtong Holding Group Co., Ltd.	71092254-4

Statement of particulars about parent company of the Company:

On 28 Jun. 2005, Foshan Gongying Investment Holding Co., Ltd. transferred 62.1142% shares (capital contribution was RMB 284,440,000) of Foshan Huaxin Development Co., Ltd. to China National Materials Development & Investment Corporation, which has changed its name to China National Paper-industry Investment Corporation. Foshan Huaxin Development Co., Ltd is the parent company and holds 65.2% shares of the Company, China National Paper-industry Investment Corporation originally holds 0.11% shares of the Company, so that China National Paper-industry Investment Corporation held 65.31% shares of the Company directly and indirectly and becomes actual controller of the Company. China Chengtong Holding Group Co., Ltd. holds 100% shares of China National Paper-industry Investment Corporation and has become the ultimate controller of the Company through holding 0.11% shares of the Company by its subsidiary, China Packaging Corporation.

2. Subsidiaries of the Company

Unit: RMB Yuan

Full-name of subsidiary	Type of subsidiary	Enterprise type	Registered place	Legal representative	Business nature	Registered capital	Proportion of shares held (%)	Proportion of voting right (%)	Organization code
Foshan Chengtong Paper Co., Ltd	Holding subsidiary	Limited liability company	Foshan	Yan Su	Manufacturing	300000000	75%	75%	68641217-2
Huaxin (Foshan) Color Printing Co., Ltd.	Holding subsidiary	Limited liability company	Foshan	Chen Jiali	Manufacturing	USD12800000	75%	75%	72111733-X

Zhuhai Huafeng Paper Co., Ltd.	Shareholdin g company	Limited liability company	Zhuhai	Yan Su	Manufacturi ng	984560000	100%	100%	61762142-1
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Holding subsidiary	Limited liability company	Zhuhai	Tong Laiming	Manufacturi ng	USD243609 909	41.97%	41.97%	61750210-7
Foshan Huazhi Waste Paper Recycling Co., Ltd.	Shareholdin g company	Limited liability company	Foshan	Chen Jiali	Service industry	5000000	100%	100%	77620148-3
Pearl River Color Printing Co., Ltd. of Chancheng District, Foshan	Shareholdin g company	Limited liability company	Foshan	Chen Jiali	Manufacturi ng	1500000	100%	100%	70817367-9
Kunshan Focai Packaging & Printing Co., Ltd.	Holding subsidiary	Limited liability company	Suzhou	Chen Zhenran	Manufacturi ng	5000000	100%	100%	56030722- X
Zhuhai Jinji Chemicals Co., Ltd.	Shareholdin g company	Limited liability company	Zhuhai	Ji Xiangdong	Manufacturi ng	69271940	51%	51%	77623593-1

3. Particulars on joint ventures and associated enterprises of the Company

Unit: RMB Yuan

Item	Business Type	Registration place	Legal representati ve	Business scope	Registered capital	Proportion of holding shares (%)	Proportion of voting rights (%)	Relationshi p	Organizatio n code
I. Joint ventures									
II. Associated enterprises									
Guangdong Chengtong Logistics	Limited liability	Zhuhai	Li Xiangyang	Service	30000000	24%	24%	Associated enterprise	78485447-6

Co., Ltd.	company								
Tetra Huaxin (Foshan) Packaging Co., Ltd.	Sino-foreign joint venture	Foshan	Li Hexun	Manufacturing	USD6700000	25%	25%	Associated enterprise	

4. Other related parties of the Company

Name	Relationship	Organization code
Foshan Huaxin Import & Export Co., Ltd.	Under the control of the same actual controller	19354411-8
Guangdong Guanhao High-tech Co., Ltd.	Under the control of the same actual controller	61780353-2
Hunan Juntai Pulp & Paper Co., Ltd.	Under the control of the same ultimate controller	
Dragon State International Limited	Under the control of the same ultimate controller	
Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	Under the control of the same actual controller	23966002-7
Yueyang Forest & Paper Co., Ltd.	Under the control of the same actual controller	72258771-2

5. Related party transactions

(1) Purchase of goods and acceptance of labor services

Unit: RMB Yuan

Related party	Content of related-party transaction	Pricing principle and decision making procedure of related-party transactions	Reporting period		Same period of last year	
			Amount	Proportion in transactions of the same kind (%)	Amount	Proportion in transactions of the same kind (%)
Foshan Huaxin Import & Export Co., Ltd.	Paper products	Based on market price and pricing after negotiation	2,008,100.00	0.42%	1,443,600.00	0.05%
Foshan Huaxin Import & Export	Raw materials	Based on market price and pricing	5,730,200.00	0.92%	13,846,800.00	4.1%

Co., Ltd.		after negotiation				
China National Paper-industry Investment Corporation	Raw materials	Based on market price and pricing after negotiation	152,271,300.00	9.16%	81,169,700.00	3.15%
Hunan Juntai Pulp & Paper Co., Ltd.	Raw materials	Based on market price and pricing after negotiation			64,432,500.00	2.5%
Guangdong Chengtong Logistics Co., Ltd.	Logistics service	Based on market price and pricing after negotiation	6,044,400.00	8.81%	2,980,700.00	7%
Guangdong Guanhao High-tech Co., Ltd.	Raw materials	Based on market price and pricing after negotiation			113,600.00	0.08%
Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	Raw materials	Based on market price and pricing after negotiation	3,512,9484.78	27.26		
Total			201,183,584.78		163,986,900.00	

Statements of sales of goods and rendering of service

Unit: RMB Yuan

Related party	Content of related-party transaction	Pricing principle and decision making procedure of related-party transactions	Reporting period		Same period of last year	
			Amount	Proportion in transactions of the same kind (%)	Amount	Proportion in transactions of the same kind (%)
Foshan Huaxin Import & Export Co., Ltd.	White board paper	Based on market price and pricing after negotiation	5,407,800.00	1.07%	92,200.00	0%
Tetra Huaxin (Foshan) Packaging Co., Ltd.	Materials	Based on market price and pricing after negotiation			94,400.00	0%
Tetra Huaxin (Foshan) Packaging Co., Ltd.	Wastewater treatment	Based on market price and pricing after negotiation			591,500.00	100%
Tetra Huaxin (Foshan) Packaging	Liquid packaging paper	Based on market price and pricing	307,3200.00	41.66%		

Co., Ltd.		after negotiation				
Guangdong Guan hao High-tech Co., Ltd.	White card paper	Based on market price and pricing after negotiation	257,900.00	0.01%	1,141,500.00	0.04%
Guangdong Chengtong Logistics Co., Ltd.	White board paper	Based on market price and pricing after negotiation	10,300.00	0%		
Yueyang Forest & Paper Co., Ltd.	Latex	Based on market price and pricing after negotiation	450,300.00	0.02%		
Total			9,199,500.00		1,919,600.00	

(2) No related trusteeship and contracting during the reporting period

(3) Information of related-party lease

Leasing situation of the Company

Unit: RMB Yuan

Name of lessor	Name of lessee	Category of the leased assets	Initial date	Ending date	Pricing basis for the rental income	Rental income recognized in the reporting period
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Guangdong Chengtong Logistics Co., Ltd.	Houses and buildings	1 Jan. 2012	31 Dec. 2012	Agreement price	1,112,500.00

Rental situation of the Company

Unit: RMB Yuan

Name of lessor	Name of lessee	Category of the leased assets	Initial date	Ending date	Pricing basis for the rental expense	Rental expense recognized in the reporting period
Foshan Huaxin Development Co., Ltd.	The Company	19/F Office Building	1 Jan. 2012	31 Dec. 2012	Market price	
Foshan Huaxin Import & Export Co., Ltd.	The Company	18/F Office Building	1 Jan. 2012	30 Jun. 2012	Market price	

Notes:

The Company rented office building of 18 Floor and 19Floor in Jinghua Building, Jihua Road, Foshan from Foshan Huaxin Development Co., Ltd. for handling official business.

(4) Information of related-party guarantee

Unit: RMB Yuan

Guarantor	Secured party	Guarantee amount	Initial date	Due date	Whether the guarantee was accomplished or not
The Company	Foshan Chengtong Paper Co., Ltd	40,000,000.00	1 Jan. 2010	31 Dec. 2013	No
The Company	Foshan Chengtong Paper Co., Ltd	50,000,000.00	27 Mar. 2012	20 Feb. 2013	No
The Company	Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	330,000,000.00	27 Mar. 2012	27 Mar. 2015	No
The Company	Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	26 Nov. 2012	26 Nov. 2013	No
The Company	Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	20 Jan. 2012	20 Jan. 2013	No
The Company	Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	200,000,000.00	24 Aug. 2012	23 Aug. 2013	No
The Company	Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	150,000,000.00	1 Jan. 2012	31 Dec. 2012	No
The Company	Huaxin (Foshan) Color Printing Co., Ltd.	90,000,000.00	1 Jan. 2010	31 Dec. 2013	No
China National Paper-industry Investment Corporation	Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	330,000,000.00	16 Nov. 2011	15 Nov. 2014	No
China National Paper-industry Investment Corporation	Zhuhai Huafeng Paper Co., Ltd.	306,000,000.00	26 Apr. 2010	26 Apr. 2013	No

Notes

(5) Related-party call loan

Unit: RMB Yuan

Related party	Amount of call loan	Initial date	Due date	Note
Loan from banks and other financial institutions				
Foshan Huaxin Development Co., Ltd.	2,000,000.00			In accordance with the Loan Contract signed by the Company with Foshan Huaxin Development Co., Ltd., the balance of loans of the Company borrowed from Foshan Huaxin Development Co., Ltd. was RMB 2,000,000.00, and the interest rate was decided by the capital costs of the lender, and the Company paid a total interest of RMB 5,267,391.40 for the loan in the reporting period.
China Chengtong Holding Group Co., Ltd.	500,000,000.00	30 Mar. 2010	24 Mar. 2015	On 9 Mar. 2010, the two parties signed the Agreement on the Usage of Internal Entrusted Loans of Capital of Medium Term Notes, with stipulated service term of about 5 years and maturity date as 24 Mar. 2015. If an investor chooses to execute home-sales option, the maturity date of medium term notes of Y2010 in home-sales part would be 24 Mar. 2013, with interest rate of 4.8%. With the adoption of annually calculated simple interest, interest per year would be paid once a year to China Chengtong Holding Group Co., Ltd., which

				would uniformly fulfill external payments for interest.
Lending to banks and other financial institutions				

(6) Other related-party transactions

Remuneration of key management staffs

Unit: RMB Ten Thousand

Item	Reporting period	Same period of last year
Director	85.38	166.38
General Manager	131.99	81.83
Vice General Manager	369.82	450.91
Supervisor	36.4	76.25
Total	623.59	775.37

6. Accounts receivable from and payable to related parties

Accounts receivable from related parties for the Company

Unit: RMB Yuan

Item	Related party	Period-end		Period-begin	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Guangdong Guanbao High-tech Co., Ltd.			286,552.00	
	Yueyang Forest & Paper Co., Ltd.	279,359.40			
	Tetra Pak Packaging (Foshan) Co., Ltd.	3,595,601.84			

Accounts payable to related parties for the Company

Unit: RMB Yuan

Item	Related party	Closing amount	Opening amount
Accounts payable	Foshan Huaxin Import & Export Co., Ltd.	4,027,649.29	4,027,649.29
Accounts payable	China National Paper-industry Investment Corporation	6,163,162.17	19,093,768.29
Accounts payable	Guangdong Guanbao High-tech Co., Ltd.		19,867.28

Accounts payable	Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	8,417,209.78	
Other payables	Foshan Huaxin Development Co., Ltd.	11,756,255.21	63,000,000.00
Other payables	Guangdong Chengtong Logistics Co., Ltd.	156,204.46	801,612.86
Other payables	Dragon State International Limited	164,247.77	
Other payables	Foshan Huaxin Import & Export Co., Ltd.	300,000.00	
Accounts received in advance	Foshan Huaxin Import & Export Co., Ltd.		100.00
Long-term payables	China Chengtong Holding Group Co., Ltd.	500,000,000.00	500,000,000.00
Interest payables	China Chengtong Holding Group Co., Ltd.	19,266,666.71	18,866,666.70

IX. Contingency

1. Contingent liabilities and its financial effect arising from unsettled litigation or arbitration

1. As at the year-end, Guangdong Regall Group Co., Ltd. (hereinafter referred to as “Regall Group”) owed a goods payment of RMB 9,919,562.58 to the Company’s subsidiary Zhuhai S.E.Z Hongta Renheng Paper Co., Ltd. (hereinafter referred to as “Hongta Renheng”) (with an account age over three years). On 28 Mar. 2008, the said two parties signed an agreement on repayment with wood pulp. According to the said agreement, Regall Group should repay with wood pulp as the consideration, which should be executed before 15 May 2008. However, Regall Group has not accomplished the execution according to the said agreement. Up until 31 Oct. 2008, only RMB 3,099,200.00 had been executed as consideration for the debt. On 29 Oct. 2008, Hongta Renheng sent a Notice on Terminating Agreement to Regall Group, but Regall Group asked to continue the execution of the Agreement. On 6 Dec. 2008, Hongta Renheng submitted a bill of complaint on the goods payment dispute to Guangzhou Huangfu People’s Court, requesting the Court to terminate the agreement on repayment with wood pulp and asking Regall Group to repay the goods payment of RMB 10,047,398.58 and take the responsibilities thus caused. On 28 Jun. 2009, the Court issued the Civil Judgment Letter (2009) HMEC Zi No.72, deciding to declare the Company’s Notice on Terminating Agreement legally null. Hongta Renheng appealed to Guangzhou Intermediate People’s Court against the decision and Guangzhou Intermediate People’s Court ruled that the case should be remanded for retrial in the Court of the first instance. On 12 Jun. 2010, the Court issued the Civil Judgment Letter (2010) HMEC Zi No.1, deciding to declare the Agreement on Set Debt off with Pulp Payment legal and effective. However, as Regall Group wasn’t able to fulfill liability of supplying pulp, it should pay RMB 9,786, 596.96 back to

Hongta Renheng. Regall Group appealed to Guangzhou Intermediate People's Court against the decision. On 25 Nov. 2010, in accordance with the Civil Judgment Letter (2010) SZFMEZ Zi No. 1851, the Court rejected the appeal and maintained the original judgment. Up until the date of this Report, RMB 127,836.00 of executed account was received. Hongta Renheng has withdrawn 100% bad debt provision for the said account receivable at full amount.

2. As at the year-end, Zhuhai Eastern Zhengtai Power Equipment Co., Ltd. owed a goods payment of RMB 2,925,825.54 to Hongta Renheng. In line with Civil Judgment (2010) XMEC Zi No.641, Hongta Renheng won the appeal and Zhuhai East Zhengtai Power Equipment Co., Ltd. should pay loans of RMB 2,405,789.44 and its penalty back to Hongta Renheng as a result. Zhuhai East Zhengtai Power Equipment Co., Ltd. filed an appeal against the sentence. The court dismissed the appeal in the second trial and the decision was upheld on 12 Oct. 2010. As Zhuhai East Zhengtai Power Equipment Co., Ltd. hasn't executed the verdict yet, Hongta Renheng has applied to the court for enforcement. Hongta Renheng withdrew 90% bad debt provision for the said account receivable in 2010, yet didn't change the ratio of bad debt provision due to uncertainty of receiving goods payment.

3. Up until the year-end, Zhuhai Gongbei Ronghui Trade Co., Ltd. owed a goods payment of RMB 1,016,655.73 to Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with the Civil Judgment Letter (2009) XMEC Zi No. 2174. Hongta Renheng withdrew 90% bad debt provision for the said account receivable in 2010, but Zhuhai Gongbei Ronghui Trade Co., Ltd. has no properties to execute the judgment, so it continued to withdraw 90% bad debt provision for the said account receivable at period-end.

4. As at the year-end, Shenzhen Xieji Industry Co., Ltd. owed a goods payment of RMB 3,760,350.10 to Hongta Renheng, in accordance with Civil Judgment Letter (2011) SZFMEZ Zi No. 1318, Hongta Renheng won the appeal. Hongta Renheng withdrew 50% bad debt provision for the said account receivable in 2010. Up until the date of this Report, Hongta Renheng was preparing to appeal to the Court for executing the judgment, so it continued to withdraw 50% bad debt provision for the said account receivable.

5. As at the year-end, Qingdao Donglu Packing Development Co., Ltd. owed a goods payment of RMB 450,000.00 to Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with the Civil Judgment Letter (2010) NSC Zi No. 20678. And Hongta Renheng has withdrawn 50% bad debt provision for the said account receivable.

6. As at the year-end, Foshan Jiahe Paper Trading Co., Ltd. owed a goods payment of RMB 4,902,239.70 to Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with the Civil Judgment Letter (2011) FCFMEC Zi No. 852. Hongta Renheng withdrew 50% bad debt provision for the said account receivable in 2010. Up until the balance sheet date, there were no properties to execute the judgment, so it withdrew 100% bad debt provision for the said account receivable at period-end.

2. Contingent liabilities and its financial effect arising from loan guarantee offered to other companies

The Company had no contingent liabilities due to the Company's provision of guarantees for other entities.

Other contingent liabilities and its financial effect:

As to 31 Dec. 2012, for the Company and its subsidiaries, undue bank acceptance bills with endorsement valued RMB 672,940,905.49, with the mature dates between Jan.-Jun. 2013. And there were no undue bank acceptance bills which had been discounted at period-end.

X. Commitments

1. Significant commitments

Commitments on capital expenditures

1) The Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. signed the Commercial Contract on the Paper Rolls Transport Packaging System with CHANGSHA CHAINT MACHINERY CO., LTD. on 10 Aug. 2012, with the total contract price of RMB 7,680,000.00, with RMB 2,304,000.00 paid in advance, and the contract has been fully fulfilled.

2) The Company's sub-subsidiary Zhuhai Huafeng Co., Ltd. signed a supplementary agreement (2) on the temporary warehouse project at Petrochemical Area, Gaolan of Huafeng Paper, agreeing to build the vestibule between the newly completed finished goods warehouse for 2012 and the paper-making workshop, with the agreed project construction cost of RMB 2,423,441.58, and RMB 800,000 had been paid as of 31 Dec. 2012, and the contract hadn't been completed.

3) In accordance with the 11th Session of the 2nd Board of Directors of the subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd., the Company's sub-subsidiary Zhuhai Huafeng Co., Ltd. would newly increase investment on food white card coated paper double-sided special production line of Gaolan factory, with the total investment budget under RMB 25 million according to the requirements of the resolutions made in the session. The Company signed a Contract on the Food White Card Coated Paper Double-sided Special Production Line of Zhuhai Huafeng Paper Co., Ltd. with Huilong Plastics Machinery Co., Ltd. on 31 Aug. 2012, with the total contract price of RMB 12.98 million. Up to 31 Dec. 2012, the Company had paid 30% of the contract price as the prepayment, i.e. RMB 3,884,130.57, and the contract had not been completed.

4) The Company's sub-subsidiary Zhuhai Huafeng Co., Ltd. signed a Contract on the Engineering of Middle Water Reuse Project with Guangdong Research Institute of Engineering and Technology on 13 Nov. 2012, with the total contract price of RMB 3,917,700.00. Up to 31 Dec. 2012, it had paid RMB 1,175,075.00, and the contract hadn't been completed.

5) The Company's sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. signed two contracts on the infrastructure project for the phase II project with Huizhou Dongjiang Construction & Installation Engineering Co., Ltd. on 20 Nov. 2012 and 23 Nov. 2012 respectively, with the total contract prices of RMB 5,752,529.39 and RMB 4,472,897.25 respectively. Up to 31 Dec. 2012, the engineering payment hadn't been paid.

6) On 20 Oct. 2012, the Company's sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. signed a Contract on Acquiring the Special Equipments for Rubber Latex Phase II Project with Zhongshan Vessels Manufacture Co., Ltd., with the total contract price of RMB 5,950,000.00. Up to 31 Dec. 2012, it had paid RMB 1,190,000.00 for the contract, and the rest of RMB 4,670,000.00 hadn't been paid.

On 5 Nov. 2012, the subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. signed a Contract on Acquiring the Special Equipments for Rubber Latex Phase II Project with GUANGDONG CHUNGCHAK HEAVY INDUSTRY CO., LTD., with the total contract price of RMB 4,562,000.00. Up to 31 Dec. 2012, it had paid RMB 2,052,900.00 for the contract, and the rest of RMB 2,509,100.00 hadn't been paid.

For details about the significant commitments relevant with the related parties, please refer to Note VI. (V).

2. Fulfillment of previous commitments

The Company has no previous commitments need to disclose.

XI. Events after the Balance Sheet Date

1. Notes of significant events after the Balance Sheet Date

2. Explanation on other events after the balance sheet date

The Company's actual controller—China National Paper-Industry Investment Corp. and China Chengtong (HongKong) Co., Ltd. planned to let the Company to acquire the 11.6027% equity of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. held by Dragon State International, the base date of the equity transfer was 30 Jun. 2012, and the transfer price was based on the assessed value recorded by the Group. And the Company's ultimate controller— China Chengtong Holding Group Co., Ltd. replied on approving the above agreement on 21 Dec. 2012. Up to the disclosure date of the report, and such equity transfer has been under the process. After completing the equity transfer in the future, Dragon State International will no longer hold the equity of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd., and the Company's shareholding proportion will increase from 41.9653% to 53.5680%.

XII. Notes of other significant events

1. Business combination

2. Lease

Assets leased by the Company are as follows:

Type of assets leased through operating lease	Book value as at year-end	Book value as at
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		year-begin
Houses and buildings	9,942,981.44	17,536,077.64
Total	9,942,981.44	17,536,077.64

3. Assets and liabilities measured at fair value

Unit: RMB Yuan

Item	Opening balance	Gain/loss from change in fair value in this year	Accumulative change in fair value recorded into equity	Impairment provision for this year	Closing balance
Financial assets					
3. Financial assets available for sale	3,068,874.52		331,558.88		3,400,433.40
Subtotal of financial assets	3,068,874.52		331,558.88		3,400,433.40
Total of the above mentioned	3,068,874.52		331,558.88		3,400,433.40
Financial liabilities	0.00				0.00

4. Financial assets and liabilities of foreign currency

Unit: RMB Yuan

Item	Opening balance	Gain/loss from change in fair value in this year	Accumulative change in fair value recorded into equity	Impairment provision for this year	Closing balance
Financial assets					
3. Loans and accounts receivable	131,745,992.95				109,506,613.46
Subtotal of financial assets	131,745,992.95				109,506,613.46
Financial liabilities	67,110,422.39				81,752,541.19

5. Other

1. In accordance with the Resolutions Made at the 3rd Session of the 5th Board of Directors of the Company on 9 Apr. 2012, the 2011 Annual Profits Distribution Plan was reviewed and approved at the 2011 Annual Shareholders' General Meeting on 3 May 2012, with details as follows: Based on the total share capital of 505,425,000 shares as at 31 Dec. 2011, a cash dividend of RMB 2 (tax included) will be distributed for every 10 shares, representing a total dividend of RMB 101,085,000. And the Company had distributed the cash dividends for the registered B-share holders on 3 Jul. 2012, and the Company will distribute the cash dividends for the promoter state-owned corporate shareholders by itself. Up to the date of the report, the Company had paid

the cash dividends of RMB 100,971,100.

2. In accordance with the Resolution Made at the 6th Session of the 5th Board of Directors on 16 Dec. 2012, and the Resolution Made at the First Special Shareholders' General Meeting for 2012 on 4 Jan. 2012, as well as the approval of CSRC with the Reply on Approving the Public Issuance of Corporate Bonds for Foshan Huaxin Packaging Co., Ltd. (ZJXK [2012] No. 725) on 28 May 2012, the Company publicly issued 8 million pieces of corporate bonds with the par value of RMB 100 per piece by adopting the ways of online public issuance for the public investors and off-line inquiry placing for the institution investors, with the nominal rate of 5.8%, and the term of bonds was five years from the date of issuance. And the total pre-fixed issuing amount of bonds by online and off-line were RMB 100,000,000.00 and RMB 700,000,000.00 respectively. Up to 29 Nov. 2012, the total raised capital from the public issuance of corporate bonds in this time was RMB 800,000,000.00, and the actual raised capital after deducting the bond issuance underwriting fees and custodian fees was RMB 791,700,000.00.

3. The Company convened the 7th Session of the 5th Board of Directors for 2011 by telecommunication voting on 26 Dec. 2011, at which reviewed and approved the Proposal on Transferring 25% Equities of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd. Held by the Company, the Board of the Company agreed to transfer its 25% equities of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd. by public list for trading in China Beijing Equity Exchange. On 29 Sept. 2012, it had finished the change of industrial and commercial registration in Foshan Administration for Industry and Commerce for the event on the Company transferring 25% equities of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd., and the said company renamed as Tetra Pak Packaging (Foshan) Co., Ltd., and the Company no longer held the equity of Tetra Pak Packaging (Foshan) Co., Ltd..

4. The Company entered into the Joint Venture Agreement with STORAENSO PACKAGING BOARDS ASIAOY (hereinafter referred to as "Stora Enso") on 28 Oct. 2005, in which the both purchased the assets of Foshan Huafeng Paper Co., Ltd. Zhuhai Branch Company (Foshan Huafeng Paper Co., Ltd. is now renamed as Zhuhai Huafeng Paper Co., Ltd, and hereinafter referred to as Zhuhai Huafeng for short), the sub-subsidiary company of the Company, at the price of RMB 710,265,723.03, and together set up a joint venture company, namely STORAENSO HUAXIN (ZHUHAI) PACKAGING PAPER LTD., through assets merger. The said joint venture company's total investment amount was USD 98 million with registered capital of USD 49 million as well as operating duration of 50 years. Of which, the Company invested in USD 9.8 million, STORAENSO PACKAGING BOARDS ASIAOY invested in USD 39.2 million.. As approved by Department of Foreign Trade and Economic Cooperation of Guangdong Province with YWJMZ Zi [2005] No. 673, the joint venture company has obtained certificate of approval for foreign-funded enterprise with SWZYHZZ Zi [2005] No. 0043. Owing to the said purchase, Foshan Huafeng Paper Co., Ltd. Zhuhai Branch Company's project on production expansion of 300,000-ton high-class coated white board at place out of Zhuhai under construction was changed into project on production of liquid package paper board with production scale of 300,000 tons. However, the Company had a notice from STORAENSO PACKAGING BOARDS ASIAOY on 29 Nov. 2005, in which STORAENSO PACKAGING BOARDS ASIAOY decided to give up the

said investment and refuse handle the procedure related with enterprise corporate business license of joint-venture company because rate of return on profit from project on liquid package paper board was no all idealization, as a result, the Assets Transfer Agreement failed to be continued to carry out, as well as significant economic losses to Zhuhai Huafeng. Unilateral statistics from Zhuhai Huafeng Paper Co., Ltd., such economic losses totaled to about RMB 58 million, including expense on rebuilding, claim on customer or vendor, engineering management expense during rebuilding, salary for staffs and project interests during the delay period. Due to unilateral termination of the cooperation from STORAENSO PACKAGING BOARDS ASIAOY, in accordance with the Clause 22.1 and 22.2 in the Agreement, “if any part in the Joint Venture Agreement fails to implement any obligation under the Agreement..., the said party shall be regard that it violate this agreement”, STORAENSO PACKAGING BOARDS ASIAOY “shall undertake duties for direct and real loss (excluding indirect) for abiding party due to its breach of contract.”

The Company considered that STORAENSO Huaxin (Zhuhai) Packaging Paper Ltd. failed to be established due to unilateral termination of the cooperation from STORAENSO PACKAGING BOARDS ASIAOY, resulting in a great of cost put into the project of coated white board in Zhuhai by the Company, for which the Company take proceedings against STORAENSO PACKAGING BOARDS ASIAOY for loss to the Company, in order to safeguard the legal rights of Zhuhai Huafeng Paper Co., Ltd.. The said dispute case on agreement transfer has been accepted by Zhuhai Intermediate Court on 20 Aug. 2007.

On 25 Jun. 2010, the verdict in the Civil Ruling Paper (2007 ZZFMSC Zi No.52) from the Guangdong Zhuhai Intermediate People's Court was made and the content is mainly as follows:

(1) The defendant Stora Enso shall pay for increased cost due to project reconstruction and claims for compensation totaling RMB 1,711,000 to the accuser Foshan Huafeng Paper Co., Ltd within 10 days since this verdict is legally effective; as for the amount that has not occurred in reality, the Court shall not decide for this case and the accuser may claim it by other legal means;

(2) The defendant Stora Enso shall pay for engineering management expense and wage for staff as well as other salary and engineering interest due to project reconstruction and claims for compensation totaling RMB 21,486,695.04 to the accuser Foshan Huafeng Paper Co., Ltd within 10 days since this verdict is legally effective;

(3) As for the court acceptance fee of RMB 331,291 and auditing expense of RMB 67,500, Foshan Huafeng Paper Co., Ltd shall pay RMB 206,743 and Stora Enso Packing Boards Asia Oy shall pay RMB 191,848.

Both the accuser Foshan Huafeng Paper Co., Ltd and the defendant Stora Enso Packing Boards Asia Oy appealed to the Guangdong Higher People's Court. In Dec. 2010, Zhuhai Huafeng received the Notice of Judging Appeal from the Guangdong Higher People's Court, informing that the Court would form a collegiate bench to try the case.

In 2011, there was no substantial progress on the case, which is still under the trial. The above verdict has not been executed yet and judicial procedures of appeals from both parties are being proceeded. Therefore, there's great uncertainty about receiving back the claim. Zhuhai Huafeng has not declared a confirmation in accordance with the said verdict. Huhai Huafeng is now in normal way of production and operation. Final verdict of the case won't have any negative effect on production and operation of Zhuhai Huafeng.

XIII. Notes of main items in the financial statements of the Company

1. Accounts receivable

(1) Accounts receivable

Unit: RMB Yuan

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable for which bad debt provisions are made on the group basis								
Group 1-Unit group included into the consolidated financial statements	8,630,545.13	100%			0.00			
Subtotal of the groups	8,630,545.13	100%			0.00			
Total	8,630,545.13	--		--	0.00	--		--

Notes to category of accounts receivable:

Accounts receivable with significant single amount and individually withdrawn bad debt provision at period-end

☐ Applicable ☒ Inapplicable

In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Inapplicable

Unit: RMB Yuan

Aging	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year						

Including:	--	--	--	--	--	--
Within 1 year (including 1 year)	8,630,545.13	100%		0.00		
Subtotal of within 1 year	8,630,545.13	100%		0.00		
Total	8,630,545.13	--		0.00	--	

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Inapplicable

In the groups, accounts receivable adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Inapplicable

Accounts receivable with insignificant single amount but individually withdrawn bad debt provision at period-end:

☐ Applicable ☒ Inapplicable

(2) No information of accounts receivable reversed or recovered in the report period

Unit: RMB Yuan

Content of accounts receivable	Reason for reversal or recovery	Basis on recognition of provision for bad debts	Withdrawal amount of bad debt provision before the reversal or recovery	Reversed or recovered amount
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The withdrawal of bad debt provision of accounts receivable with significant single amount or insignificant single amount but individually made impairment test at the end of report period:

Unit: RMB Yuan

Content of accounts receivable	Book balance	Amount of bad debts	Withdrawal proportion (%)	Reason
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Notes to accounts receivable with insignificant single amount but large risks of groups after grouping by credit risks characteristics:

(3) Nature or content of other accounts receivable with significant amount

There was no accounts receivable due to shareholders holding shares with over 5% voting right at the period-end.

(4) Information of the top five accounts receivable

Unit: RMB Yuan

Name of entity	Relationship with the Company	Amount	Period	Proportion in the total accounts receivable (%)
Tetra Packaging (Foshan)	Related party	3,595,601.84	Within 3 months	41.66%

Co., Ltd.				
Tetra Packaging (Hohhot) Co., Ltd.	Non-related party	3,270,108.71	Within 3 months	37.89%
Tetra Packaging (Beijing) Co., Ltd.	Non-related party	1,121,423.59	Within 3 months	12.99%
Tetra Packaging (Kunshan) Co., Ltd.	Non-related party	643,410.99	Within 3 months	7.46%
Total	--	8,630,545.13	--	100%

(5) Accounts receivable due from related parties

Unit: RMB Yuan

Name of entity	Relationship with the Company	Amount	Proportion in the total accounts receivable (%)
Tetra Packaging (Foshan) Co., Ltd.	Related party	3,595,601.84	41.66%

2. Other accounts receivable

(1) Other accounts receivable

Unit: RMB Yuan

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other accounts receivable for which bad debt provisions are made on the group basis								
Group 1—unit of consolidated financial statement	1,433,828,471.24	99.99%			1,026,750,178.61	100%		
Group 1—Aging analysis method	100,034.20	0.01%						
Subtotal of the groups	1,433,928,505.44				1,026,750,178.61	100%		
Total	1,433,928,505.44	--		--	1,026,750,178.61	--		--

Notes:

In the groups, other accounts receivable adopting other methods to withdraw bad debt provision:

Name of group	Book balance	Provision for bad debts
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Group — — unit of consolidated financial statement	1,433,828,471.24	
Total	1,433,828,471.24	

Other accounts receivable with significant single amount and individually withdrawn bad debt provision at period-end:

☐ Applicable ☒ Inapplicable

In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Inapplicable

Unit: RMB Yuan

Aging	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proporti on (%)		Amount	Proporti on (%)	
Within 1 year						
Including:	--	--	--	--	--	--
1-3 months	844,097,690.53	58.87%		166,594,893.16		
4-12 months	305,832,214.91	21.33%		409,181,437.27		
Subtotal of within 1 year	1,149,929,905.44	80.2%		575,776,330.43		
1-2 years	283,005,600.00	19.74%		446,677,580.08		
2-3 years	993,000.00	0.07%		4,296,268.10		
Total	1,433,928,505.44	--		1,026,750,178.61	--	

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Inapplicable

In the groups, other accounts receivable adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Inapplicable

Other accounts receivable with insignificant single amount but individually withdrawn bad debt provision at period-end:

☐ Applicable ☒ Inapplicable

(2) Nature or content of other accounts receivable with significant amount

Name of entity	Relationship with the Company	Book balance	Aging	Proportion in the total amount of other accounts receivable (%)	Nature or content
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Zhuhai Huafeng Paper Co., Ltd.	Subsidiary	370,190,000.00	1-2 years	25.82	Current accounts and interest
Foshan Chengtong Paper Co., Ltd	Subsidiary	385,671,732.68	1-2 years	26.90	Current accounts and interest
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Subsidiary	665,253,240.37	Within one year	46.39	Current accounts and interest
Huaxin (Foshan) Color Printing Co., Ltd.	Subsidiary	12,713,498.19	Within one year	0.89	Current accounts and interest
Total		1,433,828,471.24		99.99	

(3) Top five other accounts receivable

Unit: RMB Yuan

Name of entity	Relationship with the Company	Amount	Period	Proportion in total amount of other accounts receivable (%)
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Subsidiary	665,253,240.37	Within 1 year	46.39%
Foshan Chengtong Paper Co., Ltd	Subsidiary	385,671,732.68	1-2 years	26.9%
Zhuhai Huafeng Paper Co., Ltd.	Subsidiary	370,190,000.00	1-2 years	25.82%
Huaxin (Foshan) Color Printing Co., Ltd.	Subsidiary	12,713,498.19	Within 1 year	0.89%
Total	--	1,433,828,471.24	--	99.99%

(4) Other accounts receivable due to related parties

Unit: RMB Yuan

Name of entity	Relationship with the Company	Amount	Proportion in total amount of other accounts receivable (%)
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Subsidiary	665,253,240.37	46.39%
Foshan Chengtong Paper Co., Ltd	Subsidiary	385,671,732.68	26.9%
Zhuhai Huafeng Paper Co.,	Subsidiary	370,190,000.00	25.82%

Ltd.			
Huaxin (Foshan) Color Printing Co., Ltd.	Subsidiary	12,713,498.19	0.89%
Total	--	1,433,828,471.24	99.99%

3. Long-term equity investments

Unit: RMB Yuan

The investee	Accounting method	Initial investment cost	Opening balance	Increase/decrease	Closing balance	Shareholding Proportion (%)	Voting right Proportion (%)	Explanations on differences between shareholding proportion and voting right proportion	Provision for impairment loss	Withdrawal amount of impairment provision in the reporting period	Cash bonus in the reporting period
Tetra Huaxin (Foshan) Packaging Co., Ltd.	Equity method	145,945,947.55	205,323,873.74	-205,323,873.74							109,574,409.85
Huaxin (Foshan) Color Printing Co., Ltd.	Cost method	72,674,145.03	72,674,145.03		72,674,145.03	75%	75%				
Foshan Chengtong Paper Co., Ltd	Cost method	225,000,000.00	225,000,000.00		225,000,000.00	75%	75%				
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Cost method	927,570,697.11	927,570,697.11		927,570,697.11	41.97%	41.97%				
Kunshan	Cost	5,000,000	5,000,000		5,000,000	100%	100%				

Focai Packaging & Printing Co., Ltd.	method	.00	.00		.00						
Total	--	1,376,190 ,789.69	1,435,568 ,715.88	-205,323, 873.74	1,230,244 ,842.14	--	--	--			109,574,4 09.85

Explanation on long-term equity investment:

On acquisition date as 30 Jun. 2009, the Company gained 40.176% shares of Hongta Renheng by the ways of capital and share increase, there were five directors in the Board of Directors of Hongta Renheng, of which the Company sent three directors, Yunnan Hongta Group Co., Ltd and Renheng Industrial Co., Ltd. sent one director respectively. The Chairman of the Board (Legal representative) was sent by the Company, General Manager and Chief Financial Officer were also sent by the Company, so as to control the routine producing and operating activities of Hongta Renheng, and thus consolidated into the consolidated statement of the Company since Jul. 2009. On 1 Feb. 2010, Hongta Renheng finished the changes procedures for capital increase in industry and commerce, so shares of Hongta Renheng held by the Company increased to 41.9653%, meanwhile, revised the contract and Articles of Association of Hongta Renheng according to the resolutions of the Board of Directors of Hongta Renheng on 25 Feb. 2010, after which the directors of the Board of Directors changed from five to seven, as the Company sent four directors (originally three), Yunnan Hongta Group Co., Ltd. sent two directors (originally one), Renheng Industrial Co., Ltd. sent one, Dragon State International Limited didn't send any directors. The Company still can decide the financial and operating policies of Hongta Renheng, so continued to consolidate it to the consolidated scope in 2012.

The Company convened the 7th Session of the 5th Board of Directors for 2011 by telecommunication voting on 26 Dec. 2011, at which reviewed and approved the Proposal on Transferring 25% Equities of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd. Held by the Company, the Board of the Company agreed to transfer its 25% equities of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd. by public list for trading in China Beijing Equity Exchange. On 29 Sept. 2012, it had finished the change of industrial and commercial registration in Foshan Administration for Industry and Commerce for the event on the Company transferring 25% equities of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd., and the said company renamed as Tetra Pak Packaging (Foshan) Co., Ltd., and the Company no longer held the equity of Tetra Pak Packaging (Foshan) Co., Ltd..

4. Revenue and Cost of Sales

(1) Revenue of Sales

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Revenue from main business	7,376,534.28	

Revenue from other business	70,175,438.60	
Total	77,551,972.88	
Cost of sales	7,376,534.29	0.00

(2) Main business (classified by industry)

Unit: RMB Yuan

Name of industry	Reporting period		Same period of last year	
	Revenue of sales	Cost of sales	Revenue of sales	Cost of sales
Industry	7,376,534.28	7,376,534.29		
Total	7,376,534.28	7,376,534.29		

(3) Main business (classified by products)

Unit: RMB Yuan

Name of product	Reporting period		Same period of last year	
	Revenue of sales	Cost of sales	Revenue of sales	Cost of sales
Liquid packaging paper	7,376,534.28	7,376,534.29		
Total	7,376,534.28	7,376,534.29		

(4) Main business (classified by area)

Unit: RMB Yuan

Name of area	Reporting period		Same period of last year	
	Revenue of sales	Cost of sales	Revenue of sales	Cost of sales
Domestic sales	7,376,534.28	7,376,534.29		
Total	7,376,534.28	7,376,534.29		

(5) Revenue of sales of the top five customers

Unit: RMB Yuan

Name of customer	Total amount of revenue of sales	Proportion in total amount of revenue of sales (%)
Top five customers	7,376,534.28	100%
Total	7,376,534.28	100%

Notes to revenue of sales

5. Investment income

(1) List of investment income

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by cost method	30,918,655.65	-2,789.90
Long-term equity investment income accounted by equity method	50,618,539.07	58,955,870.78
Investment income arising from disposal of long-term equity investments	280,258,717.64	
Total	361,795,912.36	58,953,080.88

(2) Long-term equity investment income accounted by cost method

Unit: RMB Yuan

Name of investee	Reporting period	Same period of last year	Reason for increase/decrease YoY
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	30,918,655.65		Dividends distributed in the year
Total	30,918,655.65		--

(3) Long-term equity investment income accounted by equity method

Unit: RMB Yuan

Name of investee	Reporting period	Same period of last year	Reason for increase/decrease YoY
Tetra Huaxin (Foshan) Packaging Co., Ltd.	50,681,539.07	58,955,870.78	
Total	50,681,539.07	58,955,870.78	--

Note:

6. Supplemental information of Cash Flow Statement

Unit: RMB Yuan

Supplemental information	Reporting period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operations:	--	--
Net profit	363,476,588.99	47,529,742.16
Depreciation of fixed assets, oil and gas assets and productive biological assets	661,304.91	462,225.34

Amortization of intangible assets	149,202.98	67,380.00
Losses/gains on disposal of fixed assets, intangible asset and other long-term assets (gains: negative)	45,257.00	-38,000.00
Financial cost (income: negative)	63,831,132.07	
Investment loss (gains: negative)	-361,795,912.36	-58,953,080.88
Decrease in accounts receivable from operating activities (increase: negative)	-420,733,620.73	200,255,595.52
Increase in accounts payable from operating activities (decrease: negative)	-121,226,518.42	75,403,253.73
Net cash flows generated from operating activities	-475,592,565.56	264,727,115.87
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Change of cash and cash equivalent:	--	--
Closing balance of cash	225,554,664.36	30,554,733.32
Less: opening balance of cash	30,554,733.32	17,008,759.12
The net increase in cash and cash equivalents	194,999,931.04	13,545,974.20

XIV. Supplemental information

1. Return on equity and earnings per share

Unit: RMB Yuan

Profit in the reporting period	The weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's common stock shareholders	16.55%	0.53	0.53
Net profit attributable to shareholders of the Company's common stock after deducting non-recurring gains and losses	3.41%	0.1	0.1

2. Particulars on the abnormal conditions of main items in the financial statements of the Company and relevant reasons

Items of financial statements with abnormal amounts or change during the comparative period

Items	Closing balance (or amount in reporting period)	Opening balance (or amount in same period of last year)	Rate of change	Reason for change
Monetary funds	478,856,596.14	369,971,131.96	29.43%	Recovery of equity transfer payment

Notes receivable	480,257,032.09	548,408,372.53	-12.43%	Business fluctuation
Accounts receivable	971,593,562.06	888,268,795.03	9.38%	Decrease of cash received
Prepayment	179,421,134.87	118,880,436.28	50.93%	Increase in prepayment for engineering payment and raw materials payment
Other accounts receivable	29,274,074.78	56,916,425.36	-48.57%	Recovery of current accounts
Inventories	1,018,382,145.92	1,134,186,544.58	-10.21%	Normal fluctuation
Long-term equity investment	6,785,408.47	211,929,691.07	-96.80%	Equity transfer
Investment real estate	9,942,981.44	17,536,077.64	-43.30%	Leased real estate changed to the self-owned
Construction in process	79,155,016.60	12,727,295.10	521.93%	Increase of engineering projects in the reporting period
Intangible assets	144,128,514.79	90,453,615.69	59.34%	Acquisition of land and combination by holding
Short-term loan	1,212,158,914.28	1,743,141,865.70	-30.46%	Repayment for loans
Notes payable	21,440,149.18	86,277,224.67	-75.15%	Decrease of notes payable issued in the reporting period
Accounts payable	326,507,829.98	562,711,250.75	-41.98%	Increase of payment
Accounts received in advance	28,987,800.81	114,240,243.39	-74.63%	Decrease of accounts received in advance
Taxes payable	89,578,615.59	-19,030,839.75	-570.70%	Increase of income taxes payable
Dividends payable	60,563,595.31	133,758.00	45178%	Dividends distributed in the year
Other accounts payable	31,256,027.83	93,265,459.95	-66.49%	Increase of payment
Non-current liabilities		230,000,000.00	-100.00%	Repayment of

due within one year				loans
Long-term loan		55,000,000.00	-100.00%	Repayment of loans
Bonds payable	796,481,868.00		100.00%	Issuance of bonds
Estimated liabilities	2,967,023.46	1,796,063.48	65.20%	Increase of complaint and claim for sold commodities
Deferred income tax liabilities	5,449,332.25	182,141.16	2891.82%	Assets appreciation by evaluation
Other non-current liabilities	2,636,000.00	1,692,000.00	55.79%	Increase of renovative projects
Financial costs	189,968,915.07	133,167,123.21	42.65%	Increase of the interest of loans
Impairment losses of assets	26,945,309.49	-3,864,089.87	-797.33%	Mainly withdrawing the provision for falling price of inventories
Investment income	331,056,847.85	58,652,084.23	464.44%	Income from equity transfer
Non-operating revenue	18,151,556.67	7,139,226.93	154.25%	Mainly the increase of government grants
Income taxes expenses	68,830,236.76	31,799,044.94	116.45%	Increase of the total profits

XV.The approval of the financial statements

The financial statements by all the directors of the company in April 18, 2013 approved the report.

Foshan Huaxin Packaging Co.,Ltd.

18 Apr.2013