

Stock code: 200986

Stock abbreviation: YHBB

Announcement No.:2013-010



FOSHAN HUAXIN PACKAGING CO., LTD.

2012 ANNUAL REPORT

April 2013

Section I. Important Notes, Contents & Explanation

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of Foshan Huaxin Packaging Co., Ltd. (hereinafter referred to as “the Company”) warrant that this report does not contain any false record or misleading statement or omit any material fact and shall hereby accept, individually and collectively, responsibility for the factuality, accuracy and completeness of the contents carried in this report.

Mr. Tong Laiming, company principal, Mr. Wang qi, chief of the accounting work, and Mr. Ji Xiangdong, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report enclosed in this report is factual, accurate and complete.

Director Wangjun absent from the board meeting due to business. Director Yan Su was entrusted to exercise the right of voting.

The Company’s profit allocation preplan upon review and approval of this board session: Based on the total shares of the Company as at 31 Dec. 2012, a cash dividend of RMB 1.00 (tax included) will be distributed for every 10 shares held by shareholders. No bonus shares will be granted and no capital reserve will be turned into share capital.

Any forward-looking statement such as those involving the future operating environment and the operating plans in this report shall not be considered as virtual promises of the Company to investors. And investors are kindly reminded to pay attention to possible risks.

This report is prepared in both Chinese and English. Should there be any understanding discrepancy between the two versions, the Chinese version shall prevail.

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Explanation

Term	Refers to	Contents
Company, the Company, our Company	Refers to	Foshan Huaxin Packaging Co., Ltd.
China Paper	Refers to	Actual controller of the Company—China Paper Corporation
China Chengtong	Refers to	Ultimate controller of the Company—China Chengtong Holdings Group Ltd.
Hongta Renheng	Refers to	Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.
Golden Pheasant Chemical	Refers to	Zhuhai Golden Pheasant Chemical Co., Ltd.
Foshan Chengtong	Refers to	Foshan Chengtong Paper Co., Ltd.
Huaxin Color Printing	Refers to	Huaxin (Foshan) Color Printing Co., Ltd.
Kunshan Focai	Refers to	Kunshan Focai Packaging & Printing Co., Ltd.
Tetra Huaxin	Refers to	Tetra Huaxin (Foshan) Packaging Co., Ltd.
Tetra Foshan	Refers to	Tetra Pak (Foshan) Co., Ltd.

Reminder of Major Risks

The Company has described in detail possible risks in this report. Please refer to contents about possible risks in the future development of the Company in the “Report of the Board of Directors”.

Section II. Company Profile

I. Basic information of the Company

Stock abbreviation	YHBB	Stock code	200986
Stock exchange listed with	Shenzhen Stock Exchange		
Chinese name of the Company	佛山华新包装股份有限公司		
Abbr. of the Chinese name of the Company	华新包装		
English name of the Company (if any)	Foshan Huaxin Packaging Co.,Ltd.		
Legal representative of the Company	Mr. Tong Laiming		
Registered address	No. 18, the 5 th Jihua Road, Foshan, Guangdong Province, P.R.China		
Postal code for the registered address	528000		
Office address	19/F, Jinghua Building, No. 18, the 5 th Jihua Road, Foshan, Guangdong Province, P.R.China		
Postal code for the office address	528000		
Internet website of the Company	www.fshxp.com		
Email address	jiangzw@fshxp.com		

II. For Contact

	Company Secretary	Securities Affairs Representative
Name	Mr. Zhou Qihong	Mr. Jiang Zhuowen
Contact address	19/F, Jinghua Building, No. 18, the 5 th Jihua Road, Foshan, Guangdong Province, P.R.China	19/F, Jinghua Building, No. 18, the 5 th Jihua Road, Foshan, Guangdong Province, P.R.China
Tel.	0757-83981729	0757-83992076
Fax	0757-83992026	0757-83992026
E-mail	hf_zhouqh@fshxp.com	jiangzw@fshxp.com

III. About information disclosure and where this report is placed

Newspapers designated by the Company for	Securities Times, Ta Kung Pao (HK)
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information disclosure	
Internet website designated by CSRC for disclosing this report	http://www.cninfo.com.cn
Where this report is placed	BOD Office of the Company

IV. Change of the registered information

	Registration date	Registration place	Business license No.	Registration code of taxation	Organizational code
Initial registration	21 Jun. 1999	Guangdong Provincial Administration for Industry and Commerce	19035257-5	GSZ No. 440601707682279	70768227-9
At the end of the reporting period	29 Nov. 2010	Foshan Municipal Administration for Industry and Commerce	19035257-5	GSZ No. 440601707682279	70768227-9
Change of the Company's main business since listing (if any)	Unchanged during the reporting period				
Changes of the controlling shareholder (if any)	Unchanged during the reporting period				

V. Other information

The CPAs firm hired by the Company:

Name	BDO China Shu Lun Pan Certified Public Accountants LLP
Office address	4/F, 61 Nanjing East Road, Huangpu District, Shanghai, P.R.China
Signing accountants	Du Xiaoqiang, Jiang Gan

Sponsor engaged by the Company to conduct consistent supervision during the reporting period

☐ Applicable ☒ Inapplicable

Financial consultant engaged by the Company to conduct consistent supervision during the reporting period

☐ Applicable ☒ Inapplicable

Section III. Accounting & Financial Highlights

I. Major accounting data and financial indicators

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

☐ Yes ☒ No

	2012	2011	Increase or decrease of this year over last year (%)	2010
Operating revenues (RMB Yuan)	3,646,702,240.82	4,026,523,768.59	-9.43%	3,898,538,698.88
Net profit attributable to shareholders of the Company (RMB Yuan)	268,480,430.68	111,933,677.75	139.86%	120,311,877.76
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	51,677,120.22	110,028,838.75	-53.25%	119,315,416.87
Net cash flows from operating activities (RMB Yuan)	19,164,596.26	-208,235,321.99	109.2%	195,214,873.52
Basic EPS (RMB Yuan/share)	0.53	0.22	140.91%	0.24
Diluted EPS (RMB Yuan/share)	0.53	0.22	140.91%	0.24
ROE (%)	16.55%	7.55%	9%	8.81%
	As at 31 Dec. 2012	As at 31 Dec. 2011	Increase or decrease of this year-end than last year-end (%)	As at 31 Dec. 2010
Total assets (RMB Yuan)	6,429,081,652.74	6,571,888,756.69	-2.17%	6,160,497,078.63
Net assets/owners' equity attributable to shareholders of the Company (RMB Yuan)	1,706,059,800.96	1,538,546,101.56	10.89%	1,427,254,656.19

II. Items and amounts of extraordinary gains and losses

Unit: RMB Yuan

Items	2012	2011	2010	Notes
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	280,004,646.96	113,629.11	-6,396,244.91	
Government grants recognized in the current	10,382,559.91	4,328,764.79	2,701,099.37	

year, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards				
Gain/loss on debt restructuring	-136,610.80			
Reversal of provision for impairment that made impairment test independently	1,491,172.47	127,836.00	1,049,293.57	
Non-operating income and expense other than the above	5,934,931.29	-278,638.79	1,019,692.54	
Income tax effects	71,861,506.32	648,699.70	-899,764.07	
Minority interests effects (after tax)	8,775,479.16	1,738,052.41	-1,722,856.25	
Total	217,039,714.35	1,904,839.02	996,460.89	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

☐ Applicable ☒ Inapplicable

Section IV. Report of the Board of Directors

I. Overview

In 2012, growth of the domestic economy fell steeply and new papermaking capacity was released mostly at the same time, causing a weak paper market, distinct oversupply, a poorer economic performance for the sector as a whole and a narrowing space for profit. The Company had prepared a large stock before the reporting period, and the weak demand cast the Company into a passive position for a certain period of time and posed huge difficulties and challenges to its production and operation activities. Under the leadership of the Board of Directors, the Company proactively overturned the unfavorable situation, rose to difficulties and worked on key tasks. Adhering to the theme of “innovate, transform, upgrade and development”, the Company kept making innovations of its products and services, carried out management improvement and lean management in depth and put in constant effort for cost reduction, more profit and transformation. It accomplished the key task of transferring equity interests of a shareholding enterprise, which ensured the major earnings. Meanwhile, through difficult negotiations, it cracked the market for its new product—the liquid food packaging base paper, and maintained stable investment gains of the relevant shareholding enterprise in the reporting period. Operating revenues and profit for the year both decreased as compared with last year, but total profit and net profit attributable to owners of the Company (without subsidiaries) recorded strong growth in the year.

II. Main business analysis

1. Overview

For 2012, the Company achieved operating revenues of RMB 3,646,702,200, down 9.43% over last year; operating profit of RMB 25,919,440 up 16.17% over last year; and net profit attributable to shareholders of the Company (without subsidiaries) of RMB 268,480,400, up 139.86% over last year. Due to a deteriorating operating environment, profit of the main business decreased over last year.

Overview of the reporting period progress of development strategies and business plans disclosed in previous periods:

1. As reviewed and approved by the Board of Directors and the Shareholders' General Meeting, the transfer of equity interests of Tetra Huaxin (Foshan) Packaging Co., Ltd. was accomplished in the year, which ensured the main earnings of the Company for 2012.
2. In the 2011 Annual Report, the Company stated that it would “focus on accelerating the liquid packaging board project and make it an important product variety in the upgrading campaign”. In 2012, the Company materialized production and sale of the liquid food packaging base paper. This new product currently takes up a small proportion in the main business revenues, but the Company will enhance promotion and try to make it an important variety in the upgraded product range.
3. In order to cope with overcapacity in the ivory board market and the market pressure caused by product homogeneity, the Company will stick to production innovation and differential operation as the operating philosophy and push forward the product innovation policy with technological innovation taking the lead, so as to establish its competitive edges in the segment markets. During the reporting period, the Company launched many new products to the market, including super-highbulk paper, external-tagging paper for tumblers and bowls,

coated grease-proof paper, SBS natural color fiber anti-bogus cigarette board, coated craft paper, high-stiffness liquid packaging paper, medium-grade cigarette board and one-side coated grey manila board. As for printing products, the Company launched high-end products such as colorful high-end tags and two-dimension colorful boxes (tags), winning some sales in the market.

State the reasons why the Company's actual business performance is 20% lower or higher than the earning forecast for the reporting period which has been publicly disclosed earlier:

☐ Applicable ☒ Inapplicable

2. Revenues

Explanation:

In the reporting period, the Company produced 604,000 tons of machine-made paper, down 14% over last year, and sold 598,000 tons of machine-made paper, down 14.7% on a year-on-year basis. It achieved a main business revenue of RMB 3,459,926,000, down 13.25% over last year.

Is the Company's goods selling revenue higher than the service revenue?

☒ Yes ☐ No

Industry	Items	2012	2011	YoY +/- (%)
Machine-made paper	Sales volume	594800	701000	-15%
	Output	603200	701500	-14%
	Stock	117800	99900	17.9%

Reasons for any over-30% YoY movement of the data above:

☐ Applicable ☒ Inapplicable

Major orders held:

☐ Applicable ☒ Inapplicable

Significant change or adjustment of the Company's products or services during the reporting period:

☐ Applicable ☒ Inapplicable

Major customers:

Total sales to the top 5 customers (RMB Yuan)	736,797,544.19
Ratio of the total sales to the top 5 customers to the annual total sales (%)	21.30%

Information about the top 5 customers:

☒ Applicable ☐ Inapplicable

Serial No.	Name of customer	Sales (RMB Yuan)	Proportion in annual total sales (%)
1	Customer A	330,511,123.38	9.55
2	Customer B	136,909,614.82	3.96
3	Customer C	110,750,172.90	3.20

4	Customer D	87,694,519.84	2.53
5	Customer E	70,932,113.25	2.05
Total	—	736,797,544.19	21.30

3. Costs

Classified by industry:

Unit: RMB Yuan

Industry	Item	2012		2011		YoY +/- (%)
		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Papermaking	Raw materials	1,534,538,748.00	58.96%	1,968,415,376.86	61.29%	-22.04%
Papermaking	Labor cost	43,056,590.97	1.65%	46,313,015.85	1.44%	-7.03%
Papermaking	Depreciation	116,488,295.56	4.48%	103,048,380.93	3.21%	13.04%
Papermaking	Energy	755,078,886.89	29.01%	933,487,242.74	29.06%	-19.11%
Papermaking	Other manufacture cost	153,496,519.90	5.9%	160,461,176.01	5%	-4.34%
Papermaking	Subtotal	2,602,659,041.33	100%	3,211,725,192.38	100%	-18.96%
Printing	Raw materials	114,157,481.05	62.49%	114,912,220.69	65.13%	-0.66%
Printing	Labor cost	20,161,099.29	11.04%	17,798,483.73	10.09%	13.27%
Printing	Depreciation	9,338,915.01	5.11%	8,908,415.65	5.05%	4.83%
Printing	Energy	5,575,792.32	3.05%	5,322,543.90	3.02%	4.76%
Printing	Other manufacture cost	33,460,900.12	18.32%	29,491,742.25	16.72%	13.46%
Printing	Subtotal	182,694,187.80	100%	176,433,406.21	100%	3.55%
Other	Raw materials	245,362,977.85	94.25%			
Other	Labor cost	3,918,351.63	1.51%			
Other	Depreciation	3,610,580.17	1.39%			
Other	Energy	3,726,413.57	1.43%			
Other	Other manufacture cost	3,700,599.57	1.42%			
Other	Subtotal	260,318,922.78	100%			

Classified by product:

Unit: RMB Yuan

Product	Item	2012	2011	YoY +/- (%)
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		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Paperboard	Raw materials	1,534,538,748.00	58.96%	1,968,415,376.86	61.29%	-22.04%
Paperboard	Labor cost	43,056,590.97	1.65%	46,313,015.85	1.44%	-7.03%
Paperboard	Depreciation	116,488,295.56	4.48%	103,048,380.93	3.21%	13.04%
Paperboard	Energy	755,078,886.89	29.01%	933,487,242.74	29.06%	-19.11%
Paperboard	Other manufacture cost	153,496,519.90	5.9%	160,461,176.01	5%	-4.34%
Paperboard	Subtotal	2,602,659,041.33	100%	3,211,725,192.38	100%	-18.96%
Printing products	Raw materials	114,157,481.05	62.49%	114,912,220.69	65.13%	-0.66%
Printing products	Labor cost	20,161,099.29	11.04%	17,798,483.73	10.09%	13.27%
Printing products	Depreciation	9,338,915.01	5.11%	8,908,415.65	5.05%	4.83%
Printing products	Energy	5,575,792.32	3.05%	5,322,543.90	3.02%	4.76%
Printing products	Other manufacture cost	33,460,900.12	18.32%	29,491,742.25	16.72%	13.46%
Printing products	Subtotal	182,694,187.80	100%	176,433,406.21	100%	3.55%
Latex	Raw materials	205,642,579.34	94.5%			
Latex	Labor cost	3,134,681.31	1.44%			
Latex	Depreciation	2,888,464.14	1.33%			
Latex	Energy	2,981,130.85	1.37%			
Latex	Other manufacture cost	2,960,479.65	1.36%			
Latex	Subtotal	217,607,335.29	100%			
Calcium carbonate	Raw materials	39,720,398.51	93%			
Calcium carbonate	Labor cost	783,670.33	1.83%			
Calcium carbonate	Depreciation	722,116.03	1.69%			
Calcium carbonate	Energy	745,282.71	1.74%			
Calcium carbonate	Other manufacture cost	740,119.91	1.73%			
Calcium carbonate	Subtotal	42,711,587.50	100%			

Explanation:

For the reporting period, the main business revenue decreased 13.25% over last year while the main business cost decreased 10.11% over last year, a slightly smaller decrease as compared with the former.

Major suppliers:

Total purchases from the top 5 suppliers (RMB Yuan)	677,488,922.05
Ratio of the total purchases from the top 5 suppliers to the annual total purchases (%)	33.45%

Information about the top 5 suppliers:

√ Applicable □ Inapplicable

Serial No.	Name of supplier	Procurement amount (RMB Yuan)	Proportion in annual total procurement amount (%)
1	Supplier A	198,454,636.28	9.8%
2	Supplier B	163,158,516.57	8.06%
3	Supplier C	126,653,981.87	6.25%
4	Supplier D	100,945,636.03	4.98%
5	Supplier E	88,276,151.30	4.36%
Total	—	677,488,922.05	33.45%

4. Expense

Item	2012	2011	YoY +/- %
Selling expenses (RMB Yuan)	181,936,273.76	165,058,597.26	10.23
Administrative expenses (RMB Yuan)	156,324,336.38	134,658,974.85	16.09
Financial expenses (RMB Yuan)	189,968,915.07	133,167,123.21	42.65
Asset impairment loss (RMB Yuan)	26,945,309.49	-3,864,089.87	797.33
Income tax expenses (RMB Yuan)	68,830,236.76	31,799,044.94	116.45

Explanation about major YoY movements of the expense items:

1. Financial expenses increased 42.65% from last year mainly because borrowings increased.
2. Asset impairment loss decreased 797.33% from last year mainly because the recoverable value of finished products fell.
3. Income tax expenses increased 116.45% from last year mainly because total profit increased.

5. R&D expenses

The R&D inputs for 2011 and 2012 were accounting for 3.19% and 3.75 % of the operating revenues.

During the reporting period, the Company attached great importance to technological innovation and product development. Considering the actual situation, the Company did a great deal of work in new product R&D, intellectual property rights protection, technology management improvement, etc.. R&D details are as follows:

The Company maintained steady R&D input. Firstly, in order to cope with the adverse operating environment for the papermaking industry and the challenges of product homogeneity, the Company decided the strategy of differential operation. All its subordinate subsidiaries increased their R&D inputs and enhanced relevant tests to shorten the time needed for a new product from coming up with the idea to the finished product, keeping the R&D expenses in a high position. Secondly, quite a few reserve projects entered a period of tackling key problems and trial production in 2012, requiring a great deal of input at the same time, which also resulted in the high level of the Company's R&D expenses and enabled the Company to constantly launch new products to the market. The Company developed many new products in the year, including super-highbulk paper, external-tagging paper for tumblers and bowls, coated grease-proof paper, SBS natural color fiber anti-bogus cigarette board, coated craft paper, high-stiffness liquid packaging paper, medium-grade cigarette board and "Dadi" cigarette board, as well as paper printing technologies such as the coating-and-sizing-free environment-friendly tag printing technology, the hologram transfer paper printing technique and the colorful high-end tag printing technology. Details of some projects are as follows:

1. R&D of SBS natural color fiber cigarette board: The Company developed a new anti-bogus product—the SBS natural color fiber coated ivory board and carried out the preliminary research at the beginning of 2012. In August, the Company communicated with a potential customer on the performance parameters of this product and reached a strategic cooperation intention with it, deciding to jointly develop this new product and apply for the patent to provide effective and environment-friendly natural color anti-bogus paperboard for the customer's cigarette products. At the end of the reporting period, the product was accepted by the customer and entered mass production. Due to a short development period, a stable quality and a strong anti-bogus function, the customer was very satisfied of the product.
2. Development and production of the natural color craft paper: There was a lack of opposite-side natural color craft paper in the market and many customers had to import or use imitation craft paper processed from waste paper, which was in lack of folding strength and tenacity. Hongta Renheng Paper developed 300-gram and 350-gram craft papers. With a good quality, they could be used for packaging various top-grade commodities.
3. Blister paper: Currently, no enterprise in China has developed blister coated ivory board and this product enjoys good prospects. Technical personnel of Hongta Renheng have started to work on the coating formula for blister paper. Meanwhile, they have been working together with the coating suppliers in studying the tone-in of the blister oil and the paper. Upon many experiments, some paper technique plans have been worked out and the Company will launch experimental products to its customers step by step.
4. Bright white front-and-back coated sports lottery paper: According to market requirements and through many lab tests and experimental production activities, the production department and other relevant departments developed the bright white front-and-back coated sports lottery paper which differed from the regular bright white front-and-back coated paper and had the anti-bogus function. Having been put into use by customers, this product received a good reaction from the market.
5. Other new products in development: laser barcode printing coated ivory board used for food tracking with the anti-bogus function, special coated ivory board for environment-friendly water ink gravure printing, SBS red fiber ivory board, application of the papermaking machine fiber recovery system, the papermaking waste water

biochemical treatment technology, wet transfer paper used for environment-friendly printing, application of the LPB web automatic packaging line, various environment-friendly paperboards, food paperboards and anti-bogus paperboards.

New products to be developed: R&D and trial production of 410-gram SBS dull white front-and-back coated paper and top-grade coated paper cups, trial production of super-highbulk ivory board, R&D and trial production of Hongmei cigarette card, R&D and trial production of SBS food paper (for FSC only), R&D and trial production of FBB food paper, R&D and trial production of light weight coated cup paper, coated grease-proof paper, etc.. The Company will push forward R&D according to its plan so as to maintain the advanced technology advantage in the top-grade ivory board field and the local printing market.

6. Cash flows

Unit: RMB Yuan

Item	2012	2011	YoY +/- (%)
Subtotal of cash inflows from operating activities	3,024,633,797.40	3,074,344,299.76	-1.62%
Subtotal of cash outflows from operating activities	3,005,469,201.14	3,282,579,621.75	-8.44%
Net cash flows from operating activities	19,164,596.26	-208,235,321.99	201.39%
Subtotal of cash inflows from investing activities	581,224,429.89	60,083,869.98	867.36%
Subtotal of cash outflows from investing activities	115,279,651.22	47,516,053.92	142.61%
Net cash flows from investing activities	465,944,778.67	12,567,816.06	3,607.44%
Subtotal of cash inflows from financing activities	3,673,903,514.77	2,373,990,288.67	54.76%
Subtotal of cash outflows from financing activities	4,144,809,533.40	2,085,577,717.33	98.74%
Net cash flows from financing activities	-470,906,018.63	288,412,571.34	-263.28%
Net increase in cash and cash equivalents	14,312,325.62	90,705,477.47	-84.22%

Reasons for any over-30% YoY movement of the data above:

√ Applicable □ Inapplicable

1. Net cash flows from operating activities increased 201.39% over last year, which was mainly because cash received from operating activities increased and accounts and notes receivable (calculated according to the caliber excluding the acquisition of Golden Pheasant Chemical) decreased, resulting in more capital inflows.
2. Cash inflows from investing activities increased 867.36% over last year, which was mainly due to the transfer

of equity interests.

3. Cash outflows from investing activities increased 142.61% over last year, which was mainly because the Company acquired more fixed assets.

4. Net cash flows from operating activities increased 3607.44% over last year, which was mainly due to the transfer of equity interests.

5. Cash inflows from financing activities increased 54.76% over last year, which was mainly because bonds payable increased.

6. Cash outflows from financing activities increased 98.74% over last year, which was mainly because more borrowings were repaid.

7. Net cash flows from financing activities decreased 263.28% over last year, which was mainly because more borrowings were repaid.

Reasons for a big difference between the operating cash flows and the net profit:

☐ Applicable ☒ Inapplicable

III. Breakdown of main business

Unit: RMB Yuan

	Operating revenues	Operating costs	Gross profit rate (%)	Increase/decrease of operating revenues over last year (%)	Increase/decrease of operating costs over last year (%)	Increase/decrease of gross profit rate over last year (%)
Classified by industry:						
Industry	3,459,925,967.03	3,045,672,151.91	11.97%	-13.25%	-10.11%	-3.07%
Service						
Classified by product:						
Laundry board	503,807,864.71	476,971,191.93	5.33%	-32.1%	-27.54%	-5.95%
Ivory board	2,618,534,230.62	2,292,937,258.22	12.43%	-14.15%	-11.04%	-3.05%
Printing products	219,023,051.72	176,797,785.91	19.28%	11.58%	16.1%	-3.15%
Liquid packaging paper	7,376,534.29	6,406,462.93	13.15%			
Latex	111,181,096.82	92,557,137.10	16.75%			
Calcium carbonate	3,188.87	2,315.82	27.38%			
Classified by region:						
Domestic sale	2,989,514,752.71	2,590,302,611.33	13.35%	-12.81%	-9.61%	-3.07%
Export	470,411,214.32	455,369,540.58	3.2%	-15.91%	-12.83%	-3.42%

Where the Company's accounting standard of the main business data above changed during the reporting period, give the main business data of the latest year adjusted according to the accounting standard at the end of the reporting period:

□ Applicable √ Inapplicable

IV. Asset and liability analysis**1. Major changes of asset items**

Unit: RMB Yuan

	As at 31 Dec. 2012		As at 31 Dec. 2011		Proportion change (%)	Explain any major change
	Amount	Proportion in total assets (%)	Amount	Proportion in total assets (%)		
Monetary funds	478,856,596.14	7.45%	369,971,131.96	5.63%	1.82%	
Accounts receivable	971,593,562.06	15.11%	888,268,795.03	13.52%	1.59%	
Inventories	1,018,382,145.92	15.84%	1,134,186,544.58	17.26%	-1.42%	
Investing real estate	9,942,981.44	0.15%	17,536,077.64	0.27%	-0.12%	
Long-term equity investment	6,785,408.47	0.11%	211,929,691.07	3.22%	-3.11%	
Fixed assets	2,979,056,238.05	46.34%	3,073,556,521.92	46.77%	-0.43%	
Construction in process	79,155,016.60	1.23%	12,727,295.10	0.19%	1.04%	

2. Major changes of liability items

Unit: RMB Yuan

	2012		2011		Proportion change (%)	Explain any major change
	Amount	Proportion in total assets (%)	Amount	Proportion in total assets (%)		
Short-term borrowings	1,212,158,914.28	18.85%	1,743,141,865.70	26.52%	-7.67%	
Long-term borrowings			55,000,000.00	0.84%	-0.84%	

3. Assets and liabilities measured at fair value

Unit: RMB Yuan

Item	Opening amount	Gain/loss on fair value change in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Purchased amount in the reporting period	Sold amount in the reporting period	Closing amount
Financial assets							
1. Financial assets measured at fair value and of which changes are recorded into current gains/losses (excluding derivative financial assets)					0.00		
2. Derivative financial assets					0.00		
3. Available-for-sale financial assets	3,068,874.52		331,558.88		0.00		3,400,433.40
Subtotal of financial assets	3,068,874.52		331,558.88		0.00		3,400,433.40
Investing real estate					0.00		
Productive biological assets					0.00		
Other					0.00		
Total of the above	3,068,874.52		331,558.88		0.00		3,400,433.40
Financial liabilities	0.00				0.00		0.00

Did any significant change occur to the attribute of the Company's main asset measurement during the reporting period?

☐ Yes ☒ No

V. Core competitiveness analysis

No major change occurred to the core competitiveness of the Company during the reporting period.

VI. Investment analysis

1. Investments in equities of external parties

(1) Investments in external parties

Investments in external parties		
Investment amount in 2012 (RMB Yuan)	Investment amount in 2011 (RMB Yuan)	+/-%
69,000,000.00	0.00	100%
Particulars about investees		
Name of investee	Main business	Proportion of the Company's investment in the investee's total equity interests (%)
Zhuhai Golden Pheasant Chemical Co., Ltd.	Production and sale of chemical raw materials	51%

(2) Equity-holdings in financial enterprises

Enterprise name	Enterprise variety	Initial investment cost (RMB Yuan)	Opening equity-holdings (share)	Opening equity-holding ratio (%)	Closing equity-holdings (share)	Closing equity-holding ratio (%)	Closing book value (RMB Yuan)	Gain/loss in the reporting period (RMB Yuan)	Accounting title	Equity source
Guangdong Development Bank Co., Ltd.	Commercial bank	113,558.00	113,558	0%	113,558	0%	113,558.00	0.00	Long-term equity investment	Incorporation with a capital contribution
Total		113,558.00	113,558	--	113,558	--	113,558.00	0.00	--	--

(3) Securities investments

Variety of securities	Code of securities	Name of securities	Initial investment cost (RMB Yuan)	Number of shares held at period-begin	Shareholding percentage at period-begin	Number of shares held at period-end	Shareholding percentage at period-end	Closing book value (RMB Yuan)	Gain/loss for reporting period (RMB Yuan)	Accounting title	Source of stock
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Stock	000507	ZHG	1,854,600.00	385,537	0.11%	385,537	0.11%	3,400,433.40	0.00	Available-for-sale financial assets	Incorporation with a capital contribution
Total			1,854,600.00	385,537	--	385,537	--	3,400,433.40	0.00	--	--

Explain shareholdings in other listed companies:

2. Use of raised funds

(1) General utilization of the raised funds

Unit: RMB 0,000

Total raised funds	79,170
Raised funds input in the reporting period	79001.79
Accumulative input raised funds	79001.79
Raised funds with changed use in the reporting period	0
Accumulative raised funds with changed use	0
Proportion of accumulative raised funds with changed use (%)	0%
General utilization of the raised funds	
Up to 31 Dec. 2012, the net funds of RMB 791.70 million raised through corporate bonds had been used for repaying bank loans (RMB 310 million) and supplementing the working capital (RMB 480.0179 million), and there was balance of RMB 1682100 (including interest income RMB 70029.45).	

3. Analysis to main subsidiaries and shareholding companies

Particulars about main subsidiaries and shareholding companies:

Company name	Company variety	Industry	Main products/services	Registered capital	Total assets (RMB Yuan)	Net assets (RMB Yuan)	Operating revenues (RMB Yuan)	Operating profit (RMB Yuan)	Net profit (RMB Yuan)
Huaxin (Foshan) Color Printing Co., Ltd.	Subsidiary	Manufacture	Color package and tag printing	USD 12.80 million	266,262,522.96	174,631,556.87	229,930,218.36	12,507,056.43	10,662,767.29
Zhuhai S.E.Z.	Subsidiary	Manufacture	Ivory board,	USD 243,609,90	5,138,659,312.32	2,507,093,093.42	2,865,386,947.61	-102,008891.37	-99,814,436.92

Hongta Renheng Paper Co., Ltd.			packaging base paper for liquid food	9					
Zhuhai Golden Pheasant Chemical Co., Ltd.	Subsidiary	Manufacture	Latex, calcium carbonate	RMB 69,271,900	245,908,989.12	131,681,109.38	345,832,301.65	46,796,922.43	34,444,418.09
Zhuhai Huafeng Paper Co., Ltd.	Subsidiary	Manufacture	Ivory board	RMB 984.56 million	2,644,617,124.14	962,603,271.4	1,144,859,746.73	-162,023,563.3	-155,654,720.91
Foshan Chengtong Paper Co., Ltd.	Subsidiary	Manufacture	Coated laundry board, coated ivory craft paper	RMB 300 million	697,241,458.91	254,352,405.64	494,987,705.98	-39,619,000.02	-38,316,021.67
Guangdong Chengtong Logistics Co., Ltd.	Shareholding company	Logistics service	Warehousing and logistics service	RMB 30 million	41,968,101.60	27,799,814.48	56,683,864.72	1,009,864.41	757,398.31

Explain particulars about main subsidiaries and shareholding companies:

Operating performances and their fluctuations of the Company's main subsidiaries:

1. Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.: The registered capital of this subsidiary is USD 243,609,909, with the Company holding 41.9653% of its equity. Its main products are ivory board and laundry board. As at 31 Dec. 2012, its total assets stood at RMB 5,138,659,300.

Affected by a weak paper market and the cigarette standard alteration, the reporting period saw an obvious performance decline of paper enterprises. Rongta Renheng was particularly affected by the cigarette standard alteration. In the first half of the year, its production and sale was affected to some degree. And in the second half, with recovery of the cigarette board market environment, its performance picked up. Hit by the almost simultaneous release of the newly-increased ivory board making capacity, Rongta Renheng's subsidiary Zhuhai Huafeng was greatly affected in both production and sale, causing a large stock and falling prices for sale. In order to cope with the unfavorable market situation and overturn the performance decline, the Company put forward an operating strategy with differential operation as the guiding philosophy and production innovation and product structure adjustment as the specific measures. In the reporting period, Hongta Renheng Paper enhanced its internal strength by developing new products and improving the product performance. On the basis of carrying forward the reserve projects and new products of last year, Hongta Renheng further adjusted its papermaking technique, improved the performances of its products, and increased production stability and efficiency. In terms of product innovation, the subsidiary applied for 6 patents during the reporting period and enhanced product innovation and minor innovation. For example, it adjusted and improved the highbulk ivory board; added new food card varieties such as paper cup paper, food box paper and grease-proof paper; adjusted the anti-bogus function of various

cigarette cards according to the alterations of the cigarette standards; adjusted and put into mass production packaging base paper for liquid food and SBS cigarette card; and added into its product range external-tagging paper, blister paper, medium-grade cigarette card, medium-grade liquid food packaging base paper, etc.. The product quality was well recognized by the market. Meanwhile, the subsidiary continued to be honored as a “Honest Enterprise in Environmental Protection” and a “Five-Star Honest Enterprise in Environmental Protection”. Besides product development, the subsidiary also worked on adjusting its product structure, dividing its products into three major categories and seven sub-categories. It carried out the marketing work with clear targets, reduced the proportions of homogeneous products with a low gross profit rate, increased the proportions of top-and medium-class products, and vigorously expanded high-end customers such as cigarette enterprises and pharmaceutical enterprises. In the coming future, the subsidiary will stick to this path to lay a foundation for performance improvement.

2. Huaxin (Foshan) Color Printing Co., Ltd: The registered capital of this subsidiary is USD 12,800,000, with the Company holding 75% of its equity. Its main product is presswork. As at 31 Dec. 2012, its total assets stood at RMB 266,262,500.

In 2012, through adjusting and optimizing the customer structure, the subsidiary made full use of the newly-added gravure equipment to open up the market and maintained the key and strategic customers in a better way. As a result, despite a fierce market competition, it still managed to achieve better sales income and continues growth in total profit, as it had done in the previous years. ROE reached 9.52%, representing the best performance of the subsidiary in terms of sales income and business performance.

3. Zhuhai Golden Pheasant Chemical Co., Ltd.: The registered capital of this subsidiary is USD 69,271,900, with the Company indirectly holding 51% of its equity through Hongta Renheng. Its main products are styrene butadiene latex and calcium carbonate. As at 31 Dec. 2012, its total assets stood at RMB 245,909,000.

As a leading papermaking chemical producer with a good yield rate in South China, Golden Pheasant Chemical has the potential to expand its production capacity and gain more earnings. Currently, the subsidiary is pushing forward the second phase production capacity expansion project (see the Announcement No. 2012-024 of the Company on 10 Jul. 2012 for details). The project is expected to bring handsome profits for the Company after the commencement of production.

4. Foshan Chengtong Paper Co., Ltd.: The registered capital of this subsidiary is RMB 300,000,000, with the Company holding 75% of its equity. Its main product is high-class coated laundry board. As at 31 Dec. 2012, its total assets stood at RMB 697,241,500.

In the reporting period, the subsidiary adhered to the path of individualized products, seizing individualized orders from targeted customers, launching new products such as one-side coated laundry board with grey back and light weight coated laundry board, and enhancing promotion of products with a high performance-price ratio such as low-substance laundry board and blister paper. In addition, the subsidiary improved its management with lean management as the main line, improved its site management and carried out energy saving and energy consumption reduction in the production process. As a result, the production efficiency increased and the production consumption decreased to some extent. However, the grey-back laundry board market was greatly affected by a great deal of new production capacity, causing increasingly fierce competition in the market. In addition, the traditional export demand was further weakened by the deteriorating overseas economic environment and the appreciation of Renminbi last year. Consequently, oversupply of coated laundry board became more obvious, bringing down its prices to a great extent. The aforesaid factors greatly weakened the profitability of the

subsidiary, causing considerable fluctuations in its business performance.

Subsidiaries acquired or disposed during the reporting period:

√ Applicable □ Inapplicable

Name of subsidiary	Purpose of acquisition or disposal	Way of acquisition or disposal	Influence on the overall production and business performance
Zhuhai Golden Pheasant Chemical Co., Ltd.	After the capital increase, Golden Pheasant Chemical would become a supply base of papermaking chemicals (latex, calcium carbonate, dispersant, etc.), as well as a platform for subsequent development for the Company, ensuring a stable supply of latex and calcium carbonate and further reducing the procurement costs. The special latex technique was a key part of the Company's production technique, helping it to maintain a leading advantage in the laundry board making technology and a high position in terms of the production technique.	Acquired with monetary funds	

VII. Outlook of the Company's future development

(1) Development trends in the industry and market competition situation faced by the Company

In 2013, the paper-making industry in China is expected to encounter a more complex situation. From a macro perspective, the domestic economy has entered a period of moderate growth and industry structure adjustment, with demand growth slowing down. As for the foreign economies, although the North American economy has resumed growth, the economy of Europe—China's biggest trade partner—is still weak and threatened by various crises. As an important basic raw material industry closely related to the national economy and the social undertaking development, the papermaking industry is characteristic of centralized capital and technology and a great scale effect. Its growth is greatly proportional to GDP growth. All these factors will pose a distinct restriction on the growth potential of the papermaking industry.

The production capacity of the packaging paper industry is expected to further expand. Some planned production capacity in 2012 is put off to 2013, so the supply is expected to be greatly sufficient in 2013. Market competition will become incredibly fierce due to structural over-capacity and imbalance between sale and production in the papermaking industry. The new production capacity will boost demand for wood pulp, waste paper and other raw materials, stimulating prices of raw materials. It may also bring down product prices, which will severely damage

the profitability of paper makers. As such, the papermaking industry may continue to see an increase in the production but not in profits. Some paper varieties involved in fierce competition will continue to face a cruel reshuffle. Combination, acquisition, reorganization and industrial upgrade will promote an enterprise fundamentally, which will become the mainstream in the paper-making industry.

In recent years, the Company has been working on some specific fields. On one hand, it expands its industrial chain with its advantages to reach the upstream papermaking chemical industry. On the other hand, in order to cushion the hit by overcapacity, it adopts differentiation as the specific operating strategy, increases input for reserve projects and new products, vigorously develops and promotes new products and seizes high-end customers, which makes its product structure become more rational and further enhances its competitiveness and capability for future growth. As the economy picks up and the over-capacity is gradually consumed, the Company will show a steady growth. Its future performance is worth expecting.

(II) Opportunities and Strategies for Future Development of the Company

1. Opportunities for Future Development: The “12th Five-Year Development Plan” for the papermaking industry requires the domestic paper makers to optimize the industrial, product and organizational structures, and attaches greater importance to ecological environment protection and energy saving & emission reduction, which may be achieved through upgrading or washing out laggard production capacity and enhancing the new product development ability and brand building ability. What’s ahead of the papermaking industry will be a key period for major upgrading and adjustment. As the government keeps raising the environmental protection standards for the papermaking industry, operation costs of paper makers will increase considerably. This will help wash out laggard production capacity and promote the transformation to the low-energy-consumption and low-pollution development mode, which will bring opportunities to large-sized and excellent paper makers.

2. Strategies for Future Development: The Company adheres to the philosophy of enlarging and strengthening the main business. In order to further expand the Company’s capability for sustainable development, enrich its industrial structure and enhance its capability of sustained profits, on one hand, the Company actively makes industry acquisitions (acquiring Zhuhai Golden Pheasant Chemical in 2012 to reach out to the upstream industry), enlarges the business scale and creates new profit growth points. It also concentrates on developing high-end paper, enlarges its market share of cigarette packets, opens up the food paper field and enters into the market area of liquid packaging board, so as to take a diversified paper-making path featuring environmental protection and high added value. On the other hand, the Company looks for an opportunity to carry out vertical industrial expansion and enter upstream industrial fields of forestation & pulping and paper-making supporting by integrating paper-making, printing and other resources, enhancing its financing and expansion capability and making use of the existing platforms and resources, so as to become a green environmentally friendly packaging solution provider integrated with design, development, manufacture and service, as well as a leader in the green environment friendly packaging industry.

(III) Business Plan for 2013

In 2013, considering its development strategy, the Company will concentrate on the following tasks:

1. To do a good job in product and service innovation, transformation and upgrading through technical innovation
In 2013, the papermaking industry will encounter a greater pressure from release of new production capacity, with the expected new production capacity of ivory board reaching over 2.20 million tons. The market situation will become severer. To avoid a cut-throat battle with its competitors in the homogeneous market, the Company must win its way out through differential products and services. With technical and operating innovation as the breakthrough points, the Company will beef up product and service innovation, accelerate the product deep processing projects, transform and upgrade its products and develop individualized and differential products, so as to ensure its competitive edges in the segment markets.

2. To increase its ability of market studying to seize market opportunities; to work on customer service to enlarge its market share

The Company will enhance analysis and discussion, make more scientific and accurate judgments about the market, and make itself more sensitive and responsive to the market. Meanwhile, it will focus on maintaining and developing major customers, dig deep into the market, attach importance to analyzing new demand of customers and find out what's the most needed in the market, so as to look for opportunities for its differential operation strategy.

3. To further carry forward lean management, work on management improvement and focus on key projects

Firstly, the Company will conduct activities in depth for management improvement and lean management, concentrate the management wisdom on key tasks, and solve major problems in the way of its development step by step, and release its vigor. Secondly, it will continue to uphold the spirit of cost control, keep enhancing the staff's awareness of quality and cost management, and work on cost control and potential tapping. Thirdly, it will increase the applicability of the quality technology, use more domestic raw materials and components on the premise of ensuring the quality, and reduce the production cost.

4. To work on key projects for transformation and upgrading of the Company

Combining its own advantages and opportunities for strategic development, the Company will, by way of merger or expansion, seize opportunities for a rapid development, enriching the industrial chain and increasing profits. The Company will work on new product and product deep processing projects such as the food packaging ivory board post-processing project, the further mass production of LPB paper, the Golden Pheasant Chemical phase II expansion project, the printing expansion project, the Foshan Chengtong new boiler operation project and other development projects, so as to increase the added value of its products, expand the scales of advantageous business lines, reduce the operating costs and earn more profits.

(IV) Future Fund Requirement and Application Plan

The Company belongs to capital intensive industry and resource-constrained industry. Along with further expansion of business scale and productivity of the Company, the fund need has also been strengthened. According to fund need for future development strategy, the Company will adopt measures as follow to ensure sufficient funding:

1. To make reasonable use of self-own capital, expand sales channel actively and enhance assessment of customer credit and management over receivables, so as to speed up the recovery of funds, and improve asset liquidity of the Company;
2. To actively establish favorable communication and cooperation relationships with local financial institutes and seek loan support from commercial banks;
3. To intensify effort in tracking and studying the capital market and monetary market policies, follow up the B-share market reform, keep an eye on change of relevant policies, seize strategic opportunities in time, improve the financing ability, optimize the capital structure, enhance the financing ability and strengthen cost control, so as to promote long-term development of the Company.

(V) Major Risks and Countermeasures

The prosperity of the papermaking industry is closely related to the macro economic cycle. Currently, the industry is facing risks such as structural over-capacity, increasing fierce competition, unsteady prices of raw materials, stricter national standards for environmental protection and interest rate fluctuations that may affect the Company's financial cost. Considering the aforesaid risk elements, the Company is to adopt the following countermeasures:

Firstly, the Company will enrich its product range through product innovation, adjust the product structure and

increase the product quality to maintain its competitive edges in the cigarette packet market. Meanwhile, it will focus on developing high-grade liquefied food packaging board with high technological contents and added value, provide food packaging board meeting the hygienic standards and develop product series related to paper post-processing and deep-processing, so as to solidify its position in the green packaging market and the food packaging paper market, expand the product range and ensure its profitability. Secondly, the Company will make full use of purchasing center, seize opportunities by deep situation analysis, closely pay attention to market information and price movements of bulk materials such as wood pulp, coal and waste paper, timely arrange integrated strategic purchase, and cut down production cost of the enterprise. In addition, the funds from the equity transfer and the issue of corporate bonds will replace the bank loans with high interest rates, further reducing the comprehensive financing costs. It will also try other financing channels with a low cost and try to seize the opportunity for equity financing to reduce the liability ratio. Meanwhile, the Company will build up new boilers to replace the old ones and upgrade various effluent treatment devices to promote clean production and reduce pollution and emission, so as to bring about the desired social and economic effects.

VIII. Explain change of the accounting policies, accounting estimates and measurement methods as compared with the financial reporting of last year

No change occurred to the main accounting policies, accounting estimates and measurement methods during the reporting period.

IX. Explain retrospective restatement due to correction of significant accounting errors in the reporting period

N/A

X. Explain change of the consolidation scope as compared with the financial reporting of last year

As reviewed and approved at the 6th Session of the 5th Board of Directors of the Company for 2012, the Company's controlled subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. (Hongta Renheng Paper) signed the "Capital Increase Agreement" with Golden Monkey International Chemical (Hong Kong) Co., Ltd. and Zhejiang Golden Pheasant Group Co., Ltd., two shareholders of Zhuhai Golden Pheasant Chemical Co., Ltd.. According to the Agreement, Hongta Renheng Paper made an additional monetary contribution of RMB 69 million to Zhuhai Golden Pheasant Chemical Co., Ltd., accounting for 51% of all the contribution and making it the controlling shareholder of the latter. The capital increase was approved by the ZKGMXZ [2012] No. 319 Document issued by Zhuhai Bureau for Science, Technology, Trade and Information on 11 Jun. 2012. On 11 Jul. 2012, Hongta Renheng Paper paid up the monetary contribution of RMB 69 million, of which RMB 35,328,690.00 was for the registered capital and the premium of RMB 33,671,310.00 was put into the capital reserve of Zhuhai Golden Pheasant Chemical Co., Ltd.. On 4 Sept. 2012, the relevant registered information in Zhuhai Administration for Industry and Commerce was altered. And the Company has consolidated Zhuhai Golden Pheasant Chemical Co., Ltd. since 1 Jul. 2012.

XI. Profit allocation and dividend distribution

Formulation, execution or adjustment of the Company's profit distribution policy, especially the cash dividend policy, during the

reporting period:

The profit allocation plan for 2011 was to, based on the total shares as at 31 Dec. 2011, distribute a bonus of RMB 2.00 (tax included) (RMB 1.80 after tax) for every 10 shares held by shareholders. The plan was approved at the 3rd Session of the 5th Board of Directors for 2012 and unveiled on 10 Apr. 2012. The total bonus amount accounted for 90.31% of the net profit attributable to the Company for the year. Independent directors expressed their independent opinion on the plan. It was approved at the 2011 Annual Shareholders' General Meeting on 3 May 2012. Ex-dividend was on 29 Jun. 2012 and distribution to B-share holders on 3 Jul. 2012. Up to 31 Dec. 2012, execution of the allocation plan had been completed.

The Company's preplans for profit distribution and turning capital reserve into share capital for the reporting period were in compliance with relevant rules such as the Company's Articles of Association.

The Company's preplans or plans for profit distribution and turning capital reserve into share capital for the recent three years (including the reporting year):

For 2012, based on the total shares as at 31 Dec. 2012, a bonus of RMB 1.00 (tax included) will be distributed for every 10 shares.

For 2011, based on the total shares as at 31 Dec. 2011, a bonus of RMB 2.00 (tax included) was distributed for every 10 shares.

For 2010, no profit allocation was conducted.

Cash dividend distribution of the Company over the recent three years:

Unit: RMB Yuan

Year	Amount of cash dividend (tax included)	Net profit attributable to shareholders of the Company in the consolidated statement for the year	Ratio the amount of cash dividend to the net profit attributable to shareholders of the Company in the consolidated statement (%)
2012	50,542,500.00	268,480,430.68	18.83%
2011	101,085,000.00	111,933,677.75	90.31%
2010	0.00	120,311,877.76	0%

The Company (including its subsidiaries) made profit in the reporting period and the retained profit of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution:

☐ Applicable ☒ Inapplicable

XII. Social responsibilities

The Company has always adhered to the philosophy of environment-friendly and green papermaking. With integration of woods, wood pulp and paper, as well as sustainable development, as the direction, the Company has been exploring a mechanism to achieve both economic and social benefits. Meanwhile, with creating fortune for the society, creating value for shareholders and creating opportunities for employees as its task, the Company has been operating in compliance with laws and regulations, proactively improving various conditions in production and operation, improving the production techniques, producing best-quality and hygienic products and reducing emission of pollutants. Being friendly to the environment, caring to employees and responsible to customers, the

Company has been trying to increase social benefits in operation.

Over recent years, subordinate subsidiaries of the Company have passed the food safety management system certification, the quality management system certification, the environment management system certification, the occupational security and health management system certification, the FSC forest system certification and the QS certification, as well as taking the initiative to carry out the clean production certification ahead of the government's mandatory regulations. The Company's subordinate Zhuhai Huafeng is the first paper maker in China to pass the occupational security and health management system certification, and Hongta Renheng is the first paper maker in China to pass the food safety management system certification, demonstrating the Company's being responsible to its employees and product quality, as well as its wish and practice to build an environment-friendly enterprise. In terms of energy saving and emission reduction, subordinates of the Company have won the title of "Environmental Protection Model" for quite a few consecutive years. In addition, Hongta Renheng has been honored by China Paper Association as "China Papermaking Environment Friendly Enterprise for Y2010-2011".

In 2012, the Company also carried forward quite a few emission reduction and energy saving projects. Firstly, the Zhuhai Huafeng water reclaiming project helped enhance water recycling, reduce water consumption and achieve the goal of energy saving and emission reduction. Secondly, the Hongta Renheng waste water biochemical treatment project and the Foshan Chengtong waste water level-3 deep treatment project helped further increase the ability of water pollutant treatment and shoulder the responsibilities towards the environment with stricter emission standards. Thirdly, Foshan Chengtong built a 100t/h circulating fluidized bed boiler and the supporting devices and the smoke & gas treatment system to replace the two old chain boilers, which not only increased the coal burning efficiency and reduced emission of pollutants, but also reduced coal consumption, saving energy, reducing consumption and reducing emission.

XIII. Particulars about researches, visits and interviews received in this reporting period

Time of reception	Place of reception	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company
20 Mar. 2012	N/A	By phone	Individual	Mr. Zhao	Operation situation of the Company
28 Mar. 2012	N/A	By phone	Individual	Mr. Wu	Operation situation of the Company
23 Apr. 2012	N/A	By phone	Individual	Ms. Huang	Operation situation of the Company
6 Jul. 2012	N/A	By phone	Individual	Mr. Xie	Operation situation of the Company
25 Jul. 2012	N/A	By phone	Individual	Ms. Liao	Operation situation of the Company and marginalization of B-shares
25 Jul. 2012	N/A	By phone	Individual	Mr. Ma	Operation situation of the Company
31 Jul. 2012	N/A	By phone	Individual	Mr. Wu	Operation situation of the

					Company and steep fall of B-shares
27 Nov. 2012	N/A	By phone	Individual	Mr. Liang	Operation situation of the Company
3 Dec. 2012	N/A	By phone	Individual	Mr. Shen	Operation situation of the Company
10 Dec. 2012	N/A	By phone	Individual	Mr. Liu	Operation situation of the Company and B-share reform
21 Dec. 2012	N/A	By phone	Individual	Ms. Zhou	Operation situation of the Company and B-share reform

Section V. Significant Events

I. Significant litigations and arbitrations

√ Applicable □ Non-applicable

Basic information about litigations(arbitrations)	Amount involved in the case(RMB 0'000)	Whether resulting in anticipated liabilities or not	Progress of litigations (arbitrations)	Results and influence of litigations (arbitrations)	Implementation of adjudication of litigations (arbitrations)	Disclosure date	Index for disclosure
Basic detail on the dispute case of transfer agreement, in which the Company's holding subsidiary Foshan Huafeng Paper Co., Ltd. (now named as Zhuhai Huafeng Paper Co., Ltd.) appeals Stora Enso Packing Boards Asia Oy (hereinafter refer to as Stora Enso), has already been fully disclosed in the previous periodical report. Up to the end of the reporting period, the case had made no new progress.	5,800	No	On 25 June 2010, Zhuhai Intermediate People's Court made the first trial adjudication. The main contents of the verdict have been disclosed in the 2010 Annual Report. As for the verdict, both the accuser Huafeng Paper and the defendant Stora Enso appealed	The case is still under the trial.	Up to the end of the reporting period, the case had made no further progress. If there's any new progress, the Company will sincerely make announcements.	3 March 2011	"2010 Annual Report" published on Cninfo website on 2 March 2011

			to the Guangdong Higher People's Court, and at present the case is under the trial.				
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Doubt from the media

☐ Applicable ☒ Non-applicable

In this year, there existed no matters causing doubts from the media.

II. Assets transaction events

1. Purchase of assets

Transaction party or ultimate controlling party	Assets purchased or bought	Transaction price (RMB Ten thousand)	Progress achieved	Net profit attributed to listed companies from the purchase date to the end of reporting period (RMB ten thousand) (applicable for merger of enterprises under different control)	Net profit attributed to listed companies from the beginning to the end of reporting period (RMB ten thousand) (applicable for merger of enterprises under the same control)	Ratio of the net profit contributed to the listed company by the asset sale to the total profit (%)	Whether belonging to related transaction	Associated relationship with transaction party (applicable for related transaction)	Date of disclosure	Index for disclosure
Jinhuo Chemical (Hong Kong) International Co., Ltd.	Part of equities of Zhuhai Jinji Chemical Co., Ltd.	69,000	Done	1,516.53		3.6%	No		10 July 2012	Announcement number: 2012—024

Information about purchase of assets

On 9 July 2012, the Company held the 6th session of the 5th board of directors in 2012 and passed “Proposal on the Second-term Extension Project——Increasing Capital and Merging Zhuhai Jinji Chemical Co., Ltd. (hereinafter referred to as “Jinji Chemical”) by Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.”. On 16 July 2012,

“Announcement on Increasing Capital and Merging Zhuhai Jinji Chemical Co., Ltd. by the Controlling Subsidiary” (Announcement No. 2012-024) was disclosed. Up to the end of the reporting period, the work of capital increase and merger had been finished. Jinji Chemical Co., Ltd. has been a subsidiary under the control of the Company and contributed to profits of the Company in 2012. Up to the end of reporting period, Jinji Chemical had been planning the second-term extension project and will promote relevant work according to the plan.

Finishing merger of Jinji Chemical is a beneficial try for the Company to step into upstream industry of papermaking. Since the merger, Jinji Chemical not only created substantial profits for the Company, but also helped guarantee the supply of papermaking chemical raw materials, assure the quality of raw materials and strengthen the controllability and flexibility of papermaking chemical technology.

2. Sale of assets

Transact ion party	Asset sold	Date of sale	Transact ion price (RMB Ten thousan d)	Net profit contribu ted by the asset from the period-b egin to the date of sale (RMB Ten thousan d)	Gain/los s on sale (RMB Ten thousan d)	Ratio of the net profit contribu ted to the Compan y by the asset sale to the total profit (%)	Pricing princip le	Related transacti on or not	Relation ship between the transacti on party and the Compan y (applica ble for related transacti ons)	Whether or not the ownersh ip of the asset involve d has been fully transferr ed	Wheth er or not the credi tor's right and liabi lities s invol ved have been fully trans ferre d	Date of disclosu re	Index for disclosu re
Tetra Pak Asia Pte Ltd.	25% equity interests of Tetra	29 Sep. 2012	40,952. 79	5,061.8 5	26,286. 20		In the form of listing publicly	No		Yes	Yes	31 March 2012	2011— 035, 2012— 005 ,

	Pak Huaxin (Foshan) Packagi ng Co., Ltd.						for transfer						2012— 030
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Notes to sale of assets:

The Proposal on Transferring the 25% Equity Interests of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd. Held by the Company was reviewed and approved at the 2nd Special Shareholders' General Meeting for 2012. The Company was agreed to publicly list the 25% Equity Interests of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd. (Tetra Pak Huaxin) held by it with China Beijing Equity Exchange for sale, with the bottom price being RMB 409 million. The 25% equity interests of Tetra Pak Huaxin were publicly listed with China Beijing Equity Exchange on 2 Feb. 2012. On 30 Mar. 2012, the Company received the Certificate for State-owned Equity Transaction of Enterprises from Beijing Equity Exchange. According to the Certificate, the Company disclosed information about the Tetra Pak Huaxin 25% equity interests project and list the equity interests publicly for sale via Beijing Equity Exchange according to the Law of the People's Republic of China on State-owned Assets of Enterprises and other applicable laws and regulations, and the transferee Tetra Pak Asia Pte Ltd appeared. Both of the transaction parties signed the Equity Transaction Contract, with the knock-down price at RMB 409,230,000.00.

After the equity transfer was approved by the Ministry of Commerce, the Company received the notice of Tetra Pak (Foshan) Packaging Co., Ltd.(the original "Tetra Pak Huaxin (Foshan) Packaging Co., Ltd.". According to Equity Transaction Contract signed by the Company and Tetra Pak Asia Pte Ltd., the Company has finished registration formalities and transferred 25% equities of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd. which has been renamed Tetra Pak (Foshan) Packaging Co., Ltd. in Administrative Bureau for Industry and Commerce of Foshan. The company has no more held equities of the above company. In Nov. 2012, the Company received the payment for equity transfer and at the end of Jan. 2013 completed settlement of exchange. Up to now, work related to equity transfer has been accomplished.

The above equity transfer brought income of RMB 409 million to the Company. Except book value, investment income reached RMB 263 million which was more than 95% of the total profit of the Company this year.

After transferring the above equities, the amount of companies in which the Company has shareholding decreased and annual investment income contributed by the above company will reduce in the future. The Company will make use of the idle funds, strengthen the major business's capacity of making profits and improve research, development and promotion of new products, explore new business, seek for new growth points of profits and create more fortune for shareholders.

III. Implementation situation and influence of equity incentive plan of the Company

In the reporting period, the Company did not implement equity incentive.

IV. Significant related transactions

1. Related transactions relevant to routine operation

Related party	Relations hip	Type of the	Content of the	Pricing principle	Transacti on price	Transacti on	Proportio n in same	Settlemen t method	Market price	Disclosur e date	Index for disclosure
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		related transactio n	related transactio n	of the related transactio n	(RMB Ten thousand)	amount (RMB Ten thousand)	kind of transactio ns (%)	of the related transactio n			
Foshan Huaxin Import & Export Co., Ltd.	Under the same actual controller	Routine related transactio n	Purchasin g paper products	being decided through negotiatio n based on the market value	Market value	200.81	0.42%	Bank bills and transfer			
Foshan Huaxin Import & Export Co., Ltd.	Under the same actual controller	Routine related transactio n	Purchasin g energy	being decided through negotiatio n based on the market value	Market value	573.02	0.92%	Bank bills and transfer			
China National Paper-ind ustry Investme nt Corporati on	Actual controller	Routine related transactio n	Purchasin g energy	being decided through negotiatio n based on the market value	Market value	15,227.13	9.16%	Bank bills and telephone transfer			
Guangdo ng Chengton g Logistics Co., Ltd.	Under the same actual controller	Routine related transactio n	Purchasin g logistics service	being decided through negotiatio n based on the market value	Market value	604.44	8.81%	Bank bills and transfer			
China Logistics Investme nt Develop ment Co., Ltd. of	Under the same actual controller	Routine related transactio n	Purchasin g energy	being decided through negotiatio n based on the market	Market value	3,512.95	27.26%	Bank bills and transfer			

Bonded area of Tianjin Port				value							
Guangdong Guan hao High-tech Co., Ltd.	Under the same actual controller	Routine related transaction	Selling products	being decided through negotiation based on the market value	Market value	25.79	0.01%	Transfer			
Yueyang Forest & Paper Co., Ltd.	Under the same actual controller	Routine related transaction	Selling products	Being priced through negotiation according to the market value	Market value	45.03	0.02%	Transfer			
Foshan Huaxin Import & Export Co., Ltd.	Under the same actual controller	Routine related transaction	Selling products	Being priced through negotiation according to the market value	Market value	540.78	1.07%	Transfer			
Tetra Pak Huaxin (Foshan) Packaging Co., Ltd.	Joint venture	Routine related transaction	Selling products	Being priced through negotiation according to the market value	Market value	307.32	41.66%	Transfer			
Guangdong Chengton g	Under the same actual controller	Routine related transaction	Selling products	Being priced through negotiation	Market value	1.03	0%	Transfer			

Logistics Co., Ltd.				n according to the market value							
Guangdong Chengtong Logistics Co., Ltd.	Under the same actual controller	Routine related transaction	Leasing buildings	Being priced through negotiation according to the market value	Market value	111.25	82.62%	Transfer			
Total				--	--	21,149.55	—	--	--	--	--
Details of large amount of sales returns				None							
Necessity and continuity of related transaction as well as reason of choosing the related party (but not other transaction parties) to conduct the said transaction				In order to ensure the continuity and timeliness on fuel and raw materials supply for the controlling subsidiaries of the Company, improve the logistic efficiency, further decrease the purchase costs and enlarge the sales channel as well as expand the market coverage, the above related transactions are the continuous business relevant to routine operation, so it's expected that such related transactions will still exist in a certain period. Generally speaking, the related transactions will give full play to the resources and advantages of the related parties, strengthen the advantage of centralized purchase, improve the efficiency of centralized purchase, decrease the purchasing and logistic costs, so as to realize the optimal allocation of resources and further maximize the economical benefits, therefore such transactions exist the trading necessity.							
Impacts of related transaction on independency of the Company				The related transactions are necessary for the Company's controlling subsidiaries to conduct regular business, which are based on fair and mutual benefit, with no harm to the interest of the Company and influence on the independency of listed company.							
Dependant degree of the Company on related party and relevant solutions for the dependence (if any)				In the reporting period, the amount of related transactions was comparatively low and there existed no dependence.							
As for the prediction on the total amount of routine related transactions to be occurred in the reporting period by relevant types, the actual performance in the reporting period (if any)				The above amount of related transactions was within the predicted total amount of routine related transaction.							
Reasons for the big difference between transaction price and market reference price				The above related transaction prices were all from the market value.							

2. Credits and liabilities with related parties

Was there any non-operating credit or liability with any related party?

√ Yes □ No

Related party	Relationship	Type of credits and liabilities	Cause	Whether existing occupation of non-operating funds	Opening balance (RMB ten thousand)	Incurred amount (RMB ten thousand)	Closing balance (RMB ten thousand)
Foshan Huaxin Development Co., Ltd.	Parent company	Payable liabilities of related parties	Being used to supplement circulating funds	No	6,300	-6,100	200
China Chengtong Holding Group Co., Ltd.	Ultimate controller	Payable liabilities of related parties	Being used to pay off bank loans of the Company and to supplement circulating funds	No	50,000	0	50,000
Influence of the credits and liabilities with related parties on the business results and financial status of the Company		Borrowing from related creditors was beneficial for the increase of fund resources and the decrease of capital costs of the Company.					

3. Other significant related transactions

None

Query of websites on which temporary announcements of significant related transactions were disclosed

Name of temporary announcements	Disclosure date	Name of disclosure website
Announcement on routine related transaction of Huaxin (Foshan) Packaging Co., Ltd.	9 April 2012	Cninfo website (http://www.cninfo.com.cn/)

V. Significant contracts and execution

1. Information about trusteeship, contract and lease

(1) Information about lease

Information about lease

In the reporting period, there existed no significant entrustment of asset management, trusteeship, contract, lease of assets of other companies and no significant contract items about entrustment and contract of assets of other companies, lease of assets of listed companies.

Programs bringing the Company gains and losses which reached over 10% of total profits of the Company in the reporting period

□ Applicable √ Non-applicable

2. Information about guarantee

Unit: RMB Ten Thousand

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Total external guarantee line approved during the reporting period (A1)				0	Total actual occurred amount of external guarantee during the reporting period (A2)		0	
Total external guarantee line that has been approved at the end of the reporting period (A3)				0	Total actual external guarantee balance at the end of the reporting period (A4)		0	
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement (yy-mm-dd)	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee (yy-mm-dd)	Executed or not	Guarantee for a related party or not
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	2012.12.28	10,000	2012.12.20	0	Guarantee of joint liability	2012.11.26-2013.11.26	No	Yes
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	2012.11.20	15,000	2012.11.1	0	Guarantee of joint liability	2011.10.27-2012.12.31	No	Yes
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	2012.8.25	20,000	2012.8.22	20,000	Guarantee of joint liability	2012.8.24-2013.8.23	No	Yes
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	2012.3.28	33,000	2012.3.27	8,000	Guarantee of joint liability	2012.3.27-2015.03.27	No	Yes
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	2012.2.14	10,000	2012.1.19	4,800	Guarantee of joint liability	2012.1.20-2013.1.20	No	Yes
Huaxin (Foshan) Color Printing Co., Ltd.	2011.11.22	9,000	2010.1.1	4,386	Guarantee of joint liability	2010.1.1-2013.12.11	No	Yes
Foshan Chengtong Paper Co., Ltd.	2012.11.20	4,000	2012.10.30	3,800	Guarantee of joint liability	2010.01.01-2013.12.31	No	Yes

Foshan Chengtong Paper Co., Ltd.	2012.3.28	5,000	2012.4.1	3,132	General guarantee	2012.03.27-2013.2.20	No	Yes
Total guarantee line approved for the subsidiaries during the reporting period (B1)		195,000			Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)			97,000
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)		106,000			Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)			44,118
Total guarantee amount provided by the Company (total of the above-mentioned two kinds of guarantees)								
Total guarantee line approved during the reporting period (A1+B1)		195,000			Total actual occurred amount of guarantee during the reporting period (A2+B2)			97,000
Total guarantee line that has been approved at the end of the reporting period (A3+B3)		106,000			Total actual guarantee balance at the end of the reporting period (A4+B4)			44,118
Proportion of total guarantee amount (A4+B4) to the net assets of the Company								25.86%
Of which:								
Amount of guarantee for shareholders, actual controller and related parties (C)								0
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (D)								0
Part of the amount of the total guarantee over 50% of net assets (E)								0
Total amount of the above three guarantees (C+D+E)								0
Explanation on possible bearing joint responsibility of liquidation due to immature guarantee					All guarantees provided by the Company are for its controlled subsidiaries. Currently, all the involved subsidiaries are in normal production and operation, without risk of insolvency.			
Explanation on provision of guarantees for external parties in violation of the prescribed procedure					No provision of guarantees by the Company is in violation of the prescribed procedure.			

Explanation about guarantee provided in the compound form

(1) Information about providing external guarantees which violated rules

Unit: RMB ten thousand

Name of guaranteed	Relationship with the	Amount of guarantee	Proportion in the net	Type of guarantee	Period of guarantee	Balance of guarantee	Proportion in net	Predicated removal	Predicated amount of	Predicated removal
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party	listed company	violating rules (RMB ten thousand)	assets at the end of period (%)			violating rules up to the end of period (RMB ten thousand)	assets at the end of period (%)	method	removal (RMB ten thousand)	time (Month)
Total		0	0%	--	--	0	0%	--	--	--

VI. Particulars about engagement and disengagement of CPAs firm

Certified Public Accountants in employment

Name of domestic accounting firm	Shu Lun Pan CPA Co., Ltd. (LLP)
Payment for domestic accounting firm(RMB 0'000)	85
Number of successive years of audit service provided by domestic accounting firm	3
Name of certified public accounts in domestic accounting firm	Du Xiaoqiang, Jiang Gan

Whether employing another accounting firm instead during the reporting period

☐ Yes ☒ No

Particulars about financial consultancy or sponsor when employing accounting firm of internal control audit

☒ Applicable ☐ Non-applicable

1. This year, because of issuing bonds, the Company employed Guangzhou Securities as the sponsor, underwriter and trustee of the Company and paid RMB 8'300'000 for the issuance.
2. During the half year, the Company employed Shu Lun Pan CPA Co., Ltd. (LLP) as the audit institution of internal control for 2012 and paid RMB 850 thousand for the expenses of internal control audit and annual report audit.

VII. Information about other significant events

On 20 Dec. 2012, the Company signed "Cooperation Agreement" with Tetra Pak Asia Pte Ltd. (hereinafter referred to as Tetra Pak Asia) and its four subsidiaries in China. The agreement formulates that Tetra Pak Asia, as the parent company of Tetra Pak (Kunshang) Packaging Co., Ltd., Tetra Pak (Beijing) Packaging Co., Ltd., Tetra Pak (Hohhot) Packaging Co., Ltd., Tetra Pak (Foshan) Packaging Co., Ltd., hopes to entrust the Company to supply products which meet the special production and operation requirements of the above four related companies and other related companies in Asia. Considering the time, materials and funds input by the Company, Tetra Pak Asia paid the Company RMB 150 million for the cooperation expenses (hereinafter referred to as cooperation fee) according to regulations of this contract during the period of buying products from the Company. The cooperation fee was the net value excluding business income tax occupying 25% and business tax occupying 5%. According to the regulations of contract, this cooperation is based on sales contract of daily products and the cooperation fee is paid by the year and for three years. As long as the Company stops supplying products, the above Cooperation Agreement will be cancelled automatically.

VIII. Significant events of subsidiaries of the Company

Hongta Renheng Paper, the subsidiary of the Company, increased capital and merged Jinji Chemical which has been totally disclosed in temporary announcement and this annual report. For details see "Assets transaction events -Purchase of assets" in the former chapter.

IX. Information about issuing bonds of the Company

On 31 May 2012, the Company received the Reply of CSRC on Approving Public Offering of Corporate Bonds of Foshan Huaxin Packaging Co., Ltd. (Zheng-Jian-Xu-Ke [2012] No. 725), which approved it to public offer the corporate bonds with par value no more than RMB 800 million. The Board of Directors, in accordance with the requirements of relevant laws, rules and the approval document as well as the authorization of the Shareholders' General Meeting of the Company, employed Guangzhou Securities Co., Ltd. as the issuer and major underwriter of this-time bonds. On 22 Nov. 2012, "Announcement on Issuing Company Bonds in 2012" (No. 2012-037) was released; "Prospectus on the Public Issuance of Company Bonds" and its abstract, "Analysis Report on Credit Rating of Company Bonds for 2012" were disclosed. On 26 Nov. 2012, "Announcement on Coupon Rate of Bonds of Huaxin (Foshan) Packaging Co., Ltd. in 2012" (No. 2012-038) was issued and the bonds were publicly issued for the public on the website. From 26 Nov. 2012 to 28 Nov. 2012, the bonds were issued for institutional investors by other means. On 28 Nov. 2012, the issuance work was completed. The actual amount of online issuance reached RMB 70.065 million which occupied 8.76% of the total amount of issued bonds of this period and the amount of offline issuance reached RMB 729.935 million which occupied 91.24% of the total amount of issued bonds of this period. On 8 Jan. 2013, the Company issued "Announcement on Listing Company Bonds for 2012" (No. 2013-002) and disclosed the relevant information: listing date is 9 Jan. 2013, abbreviation of bonds is 12HBZ, and stock code is 112130. The company bonds has been listed and circulated on Shenzhen Stock Exchange.

Section VI. Changes in Share Capital and Particulars about the Shareholders

I. Changes in share capital

	Before the change		Increase/decrease in the change (+,-)					After the change	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Shares transferred from capital reserves	Other	Subtotal	Number	Proportion (%)
I. Unlisted shares	333,500,000	65.98%						333,500,000	65.98%
1. Sponsor's shares	333,500,000	65.98%						333,500,000	65.98%
Shares held by domestic corporations	333,500,000	65.98%						333,500,000	65.98%
II. Listed shares	171,925,000	34.02%						171,925,000	34.02%
2. Domestically listed foreign shares	171,925,000	34.02%						171,925,000	34.02%
III. Total shares	505,425,000	100%						505,425,000	100%

Reasons for changes in share capital

There existed no change in share capital in the reporting period.

Information about approval of changes in share capital

☐ Applicable ☒ Non-applicable

Information about the transfer of ownership of changed shares

Influence of changes in shares on financial indicators of the recent year or the recent term including basic EPS, diluted EPS, net asset value per share belonging to common stock holders of the Company, etc.

☐ Applicable ☒ Non-applicable

Other contents that the Company thinks it is necessary to disclose or that securities regulatory institutions demand to disclose

II. Issuance and listing of securities

1. Particulars about issuance of securities over the past three years till the end of the reporting period

Name of stock and the derivative	Issue date	Issue price (or ratio)	Issue amount	Listing date	Amount of shares authorized for listed exchange	Ending date of exchange
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securities						
Stocks						
Convertible corporate bonds, separably-traded convertible bonds, corporate bonds						
2012 corporate bonds of Foshan Huaxin Packaging Co., Ltd.	26 Nov. 2012	100	8,000,000	9 Jan. 2013	8,000,000	25 Nov. 2017
warrants						

Explanations about issuance of securities over the past three years

There existed no issuance of securities over the past three years.

2. Explanations about changes in total amount of shares of the Company, structure of shareholders, corporate assets and liability structure

In the reporting period, there existed no change in total amount of shares and structure of shareholders.

III. Particulars about shareholders and actual controller

1. Amount of shareholders and shareholding

Unit: share

Total number of shareholders during the reporting period		16,351	Total number of shareholders till the end of the 5 th trading day before the date of disclosure of annual report				15891	
Shareholding of shareholders owning over 5% shares								
Name of Shareholder	Type of shareholder	Proportion of shareholding (%)	Amount of shares till the end of reporting period	Increase / decrease during the reporting period	Amount of non-tradable shares	Amount of tradable shares	Pledged or frozen shares	
							Condition of shares	Amount
Foshan Huaxin Development Co., Ltd.	State-owned corporation	65.2%	329,512,030	0	329,512,030	0		
Zhan Changcheng	Domestic natural person	0.52%	2,641,200	0	0	2,641,200		
Wu Haoyuan	Foreign natural person	0.51%	2,561,991	552550	0	2,561,991		
Zhu Shijie	Domestic natural person	0.27%	1,350,400	-4800	0	1,350,400		

Foshan Chan Ben De Development Co., Ltd.	State-owned corporation	0.23%	1,139,420	0	1,139,420	0		
Liu Bin	Domestic natural person	0.22%	1,110,000	106500	0	1,110,000	0	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.22%	1,091,975	-225463	0	1,091,975		
Chen Cirou	Domestic natural person	0.19%	963,109	-100400	0	963,109		
Lai Donghong	Domestic natural person	0.18%	891,210	591210	0	891,210		
PANG,KWOK SHI Peng Guoshi	Foreign natural person	0.15%	755,904	59499	0	755,904		
Particulars about strategic investors or common legal persons who became the top ten shareholders because of the issuance of additional shares (if any)		None						
Explanations about associated relationship or concerted action among the above shareholders		None						
Shareholdings of the top ten shareholders not subject to trading moratorium								
Name of shareholders	Amount of listed and circulated shares at the end of the year (Note 4)					Type of shares		
						Type	Amount	
Zhan Changcheng	2,641,200					Domestically listed foreign shares	2,641,200	
Wu Haoyuan	2,561,991					Domestically listed foreign shares	2,561,991	
Zhu Shijie	1,350,400					Domestically listed foreign shares	1,350,400	
Liu Bin	1,110,000					Domestically listed foreign shares	1,110,000	
GUOTAI JUNAN	1,091,975					Domestically	1,091,975	

SECURITIES(HONGKONG) LIMITED		listed foreign shares	
Chen Cirou	963,109	Domestically listed foreign shares	963,109
Lai Donghong	891,210	Domestically listed foreign shares	891,210
PANG,KWOK SHI Peng Guoshi	755,904	Domestically listed foreign shares	755,904
Chen Yineng	739,953	Domestically listed foreign shares	739,953
Hong Yuansheng	735,500	Domestically listed foreign shares	735,500
Explanation about associated relationship and concerted action among the top ten shareholders not subject to trading moratorium as well as between the top ten shareholders not subject to trading moratorium and the top ten shareholders	None		
Particulars about shareholders participating in margin trading (if any)	None		

2. Particulars about controlling shareholders of the Company

Legal person

Name of controlling shareholders	Legal representative / head of unit	Date of foundation	Organization code	Registered capital	Main business
Foshan Huaxin Development Co., Ltd.	Tong Laiming	27 May 1993	19353992-5	RMB 45793 ten thousand	Production, manufacture and distribution of packing materials, papermaking, cable, wire, new materials; distribution

					of packing machinery and repairing services, amplifiers and fittings, decoration materials, and drinks; information consulting
Operation results, financial situation, cash flow and future development	Particulars about the controlling shareholder of the Company: Foshan Huaxin Development Co., Ltd. (hereinafter referred to as "FHD") holds 329,512,030 of the Company's state-owned corporate shares (non-tradable), taking 65.2% of the total share capital. FHD was incorporated on May 27, 1993; its legal representative is Tong Laiming; its registered capital is RMB 457.93 million; its business scope: production, manufacture and distribution of packing materials, papermaking, cable, wire, new materials; distribution of packing machinery and repairing services, amplifiers and fittings, decoration materials, and drinks; information consulting, etc. The shareholder, Huaxin Development Co., Ltd. mainly works on promotion of program on integrating forest with paper and the major business is providing paper-making and printing for the Company. In 2011, the consolidated operation revenue of FHD reached RMB 4.029 billion, total profits reached RMB 226 million, total assets reached RMB 6.647 billion and net cash flow of operating activities reached RMB -211 million.				
Particulars about shareholding of controlling shareholders controlling and holding shares of other listed companies during the reporting period	None				

Changes in controlling shareholders during the reporting period

☐ Applicable ☒ Non-applicable

3. Particulars about the actual controller

Legal person

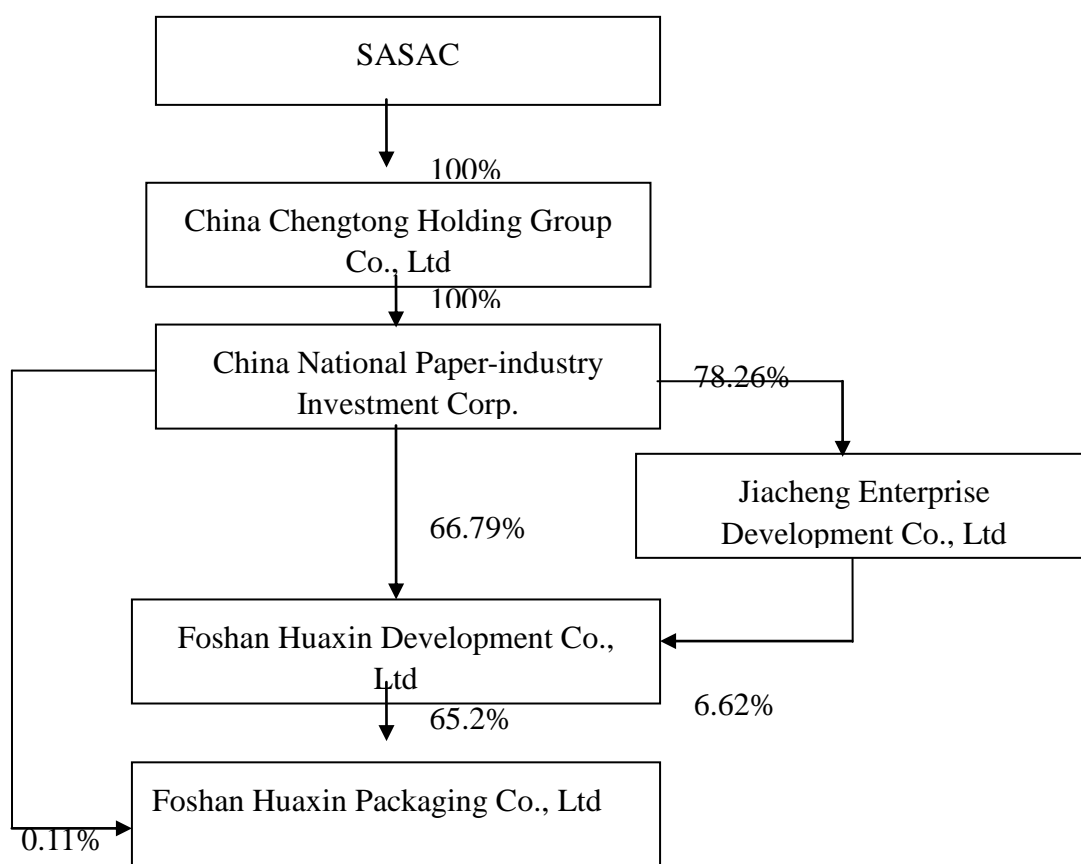
Name of actual controller	Legal representative / head of unit	Date of foundation	Organization code	Registered capital	Main business
China National Paper Industry Investment Corp.	Tong Laiming	22 Jan. 1988	10000890-7	RMB 231928.8 ten thousand	Investment and development of capital goods of major industrial products, metal materials, sales of raw materials and products of chemical light industry and paper, import & export industry.

Operation results, financial situation, cash flow and future development	<p>China National Paper Industry Investment Corp. (hereinafter referred to as China Paper) is the wholly-owned subsidiary of China Chengtong Holding Group Co., Ltd. (hereinafter referred to as China CT) and is responsible for operation and management of business platform of paper-making. China National Paper Industry Investment Corp. was founded in 1998 with the registered capital reaching RMB 2.319 billion. It was the original management company of “national development funds for short-term supplies” and now is a subsidiary of China CT working on development of paper pulp, process and manufacture of paper industry. In the recent years, through capital operation and develop of merger, China Paper rapidly enhanced its status in paper-making industry and its influence on this industry was gradually increasing. In July 2009, China Paper acquired Zhanjiang Guanlong Paper Industrial Co., Ltd. and entered the field of specialty paper. In Dec. 2009, it acquired Guangdong Guanhao High-tech Co., Ltd., the biggest producer of thermo-sensitive paper in China. In Sep. 2010, China Paper acquired Hunan Tiger Forest & Paper Group, controlled Yueyang Paper Industrial Co., Ltd., established industry of integrating paper with forest, converged advanced production line of pulping and paper-making, the most multiply production line of pulping and the domestic biggest self-operated forest base for paper-making. The predecessor of China Chengtong Holding Group Co., Ltd. is China Chengtong Group Corp. and was founded on 22 Jan. 1998 according to NMHEZ (1998) No. 189 Article of State Bureau of Internal Trade with the approval of state administrative bureau. It is a large logistics group managed by SASAC. China Chengtong Group Corp. owned the largest chain logistic distribution and allotment network which integrated storage, distribution with information and metal distribution network in the mainland and transportation net combining seas, railways, highway and airlines.</p>
Particulars about shareholding of controlling shareholders controlling and holding shares of other listed companies during the reporting period	<p>Guangdong Guanhao High-tech Co., Ltd. (600433.SH) , Yueyang Forest & Paper Co., Ltd. (600963.SH) .</p>

Change in actual controller in the reporting period

☐ Applicable ☒ Non-applicable

Diagram of ownership and control relationship between the Company and its actual controller



The actual controller controls the Company by the means of trust or other means of assets management

☐ Applicable ☒ Non-applicable

VII. Directors, Supervisors and Senior Executives and Employees

I. Changes in shareholding of directors, supervisors and senior executives

Name	Title	Incumbent or not	Gender	Age	Starting date of office term (yy-mm-dd)	Closing date of office term (yy-mm-dd)	Shares held at the beginning of the reporting period	Increase of shares in this reporting period (share)	Decrease of shares in this reporting period	Shares held at the end of the reporting period
Tong Laiming	Chairman of the Board	Incumbent	Male	43	1 June 2011	1 June 2014	0	0	0	0
Wang Qi	Director	Incumbent	Male	59	1 June 2011	1 June 2014	0	0	0	0
Wang Jun	Director	Incumbent	Female	40	1 June 2011	1 June 2014	0	0	0	0
Yan Su	Director	Incumbent	Male	42	1 June 2011	1 June 2014	0	0	0	0
Huang Xin	Director	Incumbent	Male	50	1 June 2011	1 June 2014	0	0	0	0
Yang Weixing	Director	Incumbent	Male	42	1 June 2011	1 June 2014	0	0	0	0
Zhu Zhengfu	Independent Director	Incumbent	Male	48	1 June 2011	1 June 2014	0	0	0	0
Zhao Wei	Independent Director	Incumbent	Male	52	1 June 2011	1 June 2014	0	0	0	0
Yang Zhenyu	Independent Director	Incumbent	Male	42	1 June 2011	1 June 2014	0	0	0	0
Zhou Qihong	Secretary of the Board of Directors	Incumbent	Male	45	1 June 2011	1 June 2014	0	0	0	0
Hong Jun	Chairman of the Supervisory Committee	Incumbent	Male	53	1 June 2011	1 June 2014	0	0	0	0
Huang Jianrong	Supervisor	Incumbent	Male	56	1 June 2011	1 June 2014	0	0	0	0
Yang	Supervisor	Incumbent	Male	42	1 June	1 June	0	0	0	0

Yinhui					2011	2014				
Wang Qi	General Manager	Incumbent	Male	59	1 June 2011	1 June 2014	0	0	0	0
Ji Xiangdong	Vice General Manager	Incumbent	Male	38	1 June 2011	1 June 2014	0	0	0	0
Zhou Qihong	Vice General Manager	Incumbent	Male	45	1 June 2011	1 June 2014	0	0	0	0
Liu Wenbo	Vice General Manager	Incumbent	Male	59	1 June 2011	1 June 2014	0	0	0	0
Liu Hanwen	Vice General Manager	Incumbent	Male	43	1 June 2011	1 June 2014	0	0	0	0
Chen Jiali	Vice General Manager	Incumbent	Male	55	1 June 2011	1 June 2014	0	0	0	0
Qiu Ruquan	Vice General Manager	Incumbent	Male	40	1 June 2011	1 Jan. 2013	0	0	0	0
Chen Yuenong	Vice General Manager	Resignation	Male	51	1 June 2011	1 June 2012	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0

II. Information about employment

Main work experience of current directors, supervisors and senior executives during the recent 5 years

Chairman of the Board: Tong Laiming, born in 1969, is a master of economics and certified public accountant. He has served as General Manager as well as Legal Representative in China National Paper-industry Investment Corp. from Apr. 2005 up to now; from Feb. 2006 up to now, he has been acting as Chairman of the Board in Foshan Huaxin Development Co., Ltd; from May 2008 up to now, he has been acting as Chairman of the Board in Foshan Huaxin Packaging Co., Ltd. From Jun. 2009 up to now, he has been acting as Chairman of the Board of Zhuhai Hongta Renheng Paper Co., Ltd.

Vice Chairman of the Board & General Manager: Wang Qi, born in 1953, was a MBA degree holder and economist. From Jan. 1995 to May 2008, he held posts in Foshan Huaxin Development Co., Ltd as the Chairman of the Board, Vice Chairman of the Board and General Manager; from Jun. 1999 to May 2008, he served in Foshan Huaxin Packaging Co., Ltd as Chairman of the Board. From May 2008 up to now. From Jul. 2008 up to now, he has been taking the post of Foshan Huaxin Packaging Co., Ltd as Vice Secretary of the CPC.

Director: Wang Jun, born in 1972, is an MBA degree holder. From Dec. 1996 to Oct. 1998, she acted as Director and Clerk in propaganda department of Party Committee of organ directly under Ministry of Trade of PRC; from Oct. 1998 to Feb. 2006, she acted as Assistant GM, Manager of HR Administration Department and Member of Discipline Committee of China National Materials Development & Investment Corporation. She has been Deputy GM of China National Materials Development &

Investment Corporation since Nov. 2006.

Director: Yan Su, born in 1970, is an MBA degree holder, senior accountant, CPA and CTA. From Aug. 2000 to Apr. 2006, successively held posts in Huaxing Import & Export Co., Ltd as Manager of Finance Department, Chief Economist and Deputy General Manager; from Apr. 2006 up to now, he has been serving in China National Paper-industry Investment Corp. as Assistant of General Manager, Chief Financial Officer, now as Chief Accountant. He acted as Vice Secretary of Party Committee of Foshan Huaxin Development Co., Ltd from Jun. 2007 to Jul.2008. From Feb. to Jun. of 2009, he was Chairman of the Board of Foshan Huafeng Paper Co., Ltd. From Jun. 2009 up to now, he has been Chairman of the Board of Foshan Chengtong Paper Co., Ltd.

Director & Deputy General Manager: Huang Xin, born in 1962, master degree holder. From 1993 to Mar. 2006, he successively served as Deputy General Manager, Manager of Operation Dept. II, Manager of Industrial Dept., Deputy Manager of Stratagem Investment Dept. and Manager of Asset Management Dept. in China Material Development Investment Corporation. He held a post in Foshan Huaxin Packaging Co., Ltd as a Deputy General Manager from Mar. 2006 to May 2008. He worked as Deputy General Manager in Foshan Huaxin Development Co., Ltd from May 2008 to Jul. 2009; he acted as General Manager in Zhuhai Hongta Renheng Paper Co., Ltd from Jun. 2008 to March 2012, and is also Deputy General Manager in Foshan Huaxin Packaging Co., Ltd from Jul. 2009 to Jun. 2011. He has been acting as General Manager of Hunan Tiger Forest & Paper Group Co., Ltd. since Aug. 2012.

Director: Yang Weixing, born in 1970, is a bachelor degree holder and economist. From Dec. 1999 to Aug. 2006, he successively took posts as Vice Director of Assets Operation Department in Foshan Industry Investment Holding Co., Ltd, Minister of Property Management Department, Assistant to General Manager and Deputy General Manager in Foshan Chan Ben De Development Co., Ltd and Deputy General Manager in Foshan Taiji Wine Co., Ltd; he has been acting as General Manager in Foshan Chan Ben De Development Co., Ltd since Jun. 2007.

Independent Director: Zhu Zhengfu, born in 1964, is a doctoral degree holder and lawyer. Since 1993, he had successively worked as Director of Finance & Property Department in Guangdong Economic and Trade Law Firms, partner of Guangdong Dalu Law Firm; Deputy Director of Land Law Advisory Services Center of Guangdong, which belongs to Guangdong Provincial Department of Land and Resources. He has been acting as Director and executive partner of Guangdong Kunlun Law Firm since 1998.

Independent Director: Zhao Wei, born in 1960, is a bachelor degree holder and senior engineer. He has took post of Vice Director in Personnel Division in Clerk and Cadre Office of Ministry of Light Industry from Apr. 1987 to Mar. 1991; of Office Director, Director of Production Office of Paper Production Division of Ministry of Light Industry from Mar. 1991 to Feb. 1993; of Vice Director of Paper Industry Office of China National Light Industry Association from Feb. 1993 to Aug. 1998. He has been Vice Chairman and concurrent Secretary of China Paper Association since Feb. 1998.

Independent Director: Yang Zhenyu, born in 1970, college degree, auditor. He has been Chief of Business Section of Hong Kong Jieren Co., (Guangzhou) Company from Jun. 1994 to Mar. 1996; Manager of Guangxi Datong Certified Public Accountant from Mar. 1996 to Dec. 1997; Vice GM of Guangdong Guangxin Certified Public Accountant from Dec. 1997 to Sep. 2009. He has been partner of Grant Thornton China and Ascenda Certified Public Accountants since Sep. 2009.

Chairman of the Supervisory Committee: Hong Jun, born in 1959, is a postgraduate degree holder and senior economist. From 1991 to Sep. 2007, he successively took posts as Vice Chief of Appointment & Dismissal Office, Personnel Division in Materials Department, Vice Chief of Cadre Office of Personnel Organ in Domestic Trade Department and General Manager of Human Resource Department in China Chengtong Holding Group Co., Ltd; he has been successively holding a post as Vice Secretary and Secretary of the CPC, Deputy General Manager in China National Paper-industry Investment Corp. since Sep. 2007; Concurrently he has been acting as Secretary of the CPC in Foshan Huaxin Packaging Co., Ltd since Jul. 2008 as well as Chairman of the Supervisory Committee of Foshan Huaxin Packaging Co., Ltd since May 2008.

Supervisor: Huang Jianrong, born in 1956, is a MBA degree holder and Senior Political Worker. From May 1990 to Mar. 2008, he successively acted as Deputy Director General of Foshan Secrecy Bureau, Vice Secretary of the CPC and Deputy General Manager in Foshan Petroleum Chemical Industry Co., Ltd, Director of Enterprise Management Department as well as Secretary of Discipline

Inspection Committee in Foshan Zhongli Management Co., Ltd; Director of Administration Office, Director of the Party Committee Office and Vice Secretary of Discipline Inspection Committee in Foshan Huaxin Development Co., Ltd; he has been holding posts as the Chairman of the Supervisory Committee in Foshan Huaxin Development Co., Ltd since May 2008; he has been holding posts as Manager of Human Resource Department since Mar. 2008 and Vice Secretary of Discipline Inspection Committee and Director of Communist Party Office in Foshan Huaxin Packaging Co., Ltd. since Jul. 2008.

Supervisor: Yang Yinghui, born in 1970, bachelor degree holder, senior accountant, CPA, CTA and CIA. From Mar. 1997 to Jun. 2001, he acted as accountant of finance department of Zhuhai Huafeng Foodstuff Industry (group) Co., Ltd., Chief of Finance Section of Zhuhai Huafeng Color Print Co., Ltd. and Zhuhai Huafeng Membrane Co., Ltd., subordinated to Zhuhai Huafeng Foodstuff Industry (group) Co., Ltd. From Jun. 2001 to present, he was working in Finance Department of Zhuhai Hongta Renheng Paper Co., Ltd., successively took posts of Chief Accountant in sales, Vice GM, GM of Finance Department, Assistant of General Manager.

Deputy General Manager: Ji Xiangdong, born in 1974, MBA holder and CPA. He held the posts in China Materials Development Investment Corporation as Deputy Manger and Manager of Financial Dept from Aug. 2004 to May 2007; from May 2007 to May 2009, he acted as Chief Financial Officer in Foshan Huaxin Packaging Co., Ltd. He has been acting as Deputy General Manager in Zhuhai Hongta Renheng Paper Co., Ltd since Jan. 2009. He acted as the Assistant General Manager in China Materials Development Investment Corporation from May to Jul. 2009. He has been acting as Deputy General Manager in Foshan Huaxin Packaging Co., Ltd since Jul. 2009.

Vice GM, Secretary to the Board: Zhou Qihong, was born in 1967, an engineer. He took post of Vice GM of Foshan Huaxin Development Co., Ltd. from Aug. 2004 to Jul. 2006; as Secretary to the Board in Foshan Huaxin Packaging Co., Ltd. from Sep. 2006 to present; as Secretary of Party Committee, Standing Vice GM of Foshan Huafeng Paper Co., Ltd. from Feb. to Jun. of 2009; as Vice GM of Foshan Chengtong Paper Co., Ltd. from Jun. 2009 to April 2012; as Vice GM of Zhuhai Hongta Renheng Paper Co., Ltd. from Dec. 2009 to present; and as Vice GM of Foshan Huaxin Packaging Co., Ltd. since Jun. 2011.

Vice General Manager: Liu Wenbo, born in 1953, is a university degree holder, senior engineer. He took posts of Deputy Director of Shaanxi Xianyang Paper Production Plant from Apr. 1984 to Aug. 1992; of GM of Dongguan Changan Changzhong Paper Plant, Director of Dongguan Zhangmutou Zhongnan Paper Plant from Aug. 1992 to Dec. 1994; he worked in Zhuhai Hongta Renheng Paper Co., Ltd. since Dec. 1994 and has been acting as Vice GM from Feb. 1997; from Jun. 2011 to present, he worked as Vice GM of Foshan Huaxin Packaging Co., Ltd.

Vice General Manager: Liu Hanwen, born in 1969, secondary school education, an engineer. He acted as technician in Technology Reform Office, Assistant Engineer and Minister of Production Technology Division of Foshan Huafeng Paper Co., Ltd. from 1989 to 2001; as GM of Strategy Development Division of Foshan Huaxin Packaging Co., Ltd. from 2001 to 2002; as GM of Huaxin (Foshan) Color Printing Co., Ltd from 2002 to 2003; as Director of Production Line, Assistant to GM, GM of Foshan Huafeng Paper Co., Ltd from 2004 to 2008; as Vice GM since 2009 to present; and Vice GM of Foshan Huaxin Packaging Co., Ltd. since Jun. 2011.

Deputy General Manager: Chen Jiali, born in 1957, is a junior college graduate and engineer. He served as Deputy General Manager in Huaxin Tetra (Foshan) Packaging Co., Ltd from Feb. 1997 to Sep. 2012. He has been acting as Deputy General Manager in Foshan Huaxin Packaging Co., Ltd since Jul. 1999, concurrently serves as Chairman of the Board in Huaxin (Foshan) Color Printing Co., Ltd.; since Feb. 2011, he has been GM of Foshan Chengtong Paper Co., Ltd.

Vice General Manager who has left the post: Qiu Ruquan, born in 1972, is a master degree holder, engineer. He acted as Vice GM in Technology Department of Zhuhai Hongta Renheng Paper Co., Ltd. from Jun. 2001 to Jan. 2004; as GM in Technology Department of Asia Pacific Resources International Limited (hereinafter refer to as "APRIL") SSYMB, subordinated to APRIL; Executive Manager of APRIL SSYMB; as Vice GM of Zhuhai Hongta Renheng Paper Co., Ltd. from Jun. 2009 to present; and as Vice GM of Foshan Huaxin Packaging Co., Ltd. from Jun. 2011 to Jan. 2013. On 11 Jan. 2013, he resigned his post in the Company.

Vice General Manager who has left the post: Chen Yuenong, born in 1961, is a bachelor degree holder and engineer. He acted as Director of Department of Construction Equipment of Nantong Paper Production Plant from 1983 to 1993; as GM of Department of

Equipment in Zhuhai Hongta Renheng Paper Co., Ltd. from 1993 to 2002; he formed East China Office of Hongta Renheng from 2002 to 2004; from 2004 to present, he has been Vice General Manager (for sales) of Zhuhai Hongta Renheng Paper Co., Ltd.; from Jun. 2011 to Jun. 2012, he acted as Vice GM of Foshan Huaxin Packaging Co., Ltd.. In June 2012, he resigned his post in the Company.

Employment in shareholders' companies

√ Applicable □ Non-applicable

Name of employers	Name of shareholders' companies	Posts held in shareholders' companies	Start date of tenure	Expiration Date of tenure	Whether receiving subsidies and remuneration in shareholders' companies
Tong Laiming	China National Paper Industry Investment Corp.	General Manager	1 April 2005		Yes
Wang Jun	China National Paper Industry Investment Corp.	Vice General Manager	1 Nov. 2006		Yes
Yan Su	China National Paper Industry Investment Corp.	Chief Accountant	1 April. 2006		Yes
Huang Xin	China National Paper Industry Investment Corp.	Vice General Manager	1 May 2012		Yes
Hong Jun	China National Paper Industry Investment Corp.	Secretary of the Party Committee, Vice General Manager	1 Sep. 2007		Yes
Yang Weixing	Foshan Chan Ben De Development Co., Ltd.	General Manager	1 June 2007		Yes

Employment in other entities

√ Applicable □ Non-applicable

Name of employers	Name of other companies	Posts held in shareholders' companies	Start date of tenure	Expiration Date of tenure	Whether receiving subsidies and remuneration in other companies
Zhu Zhengfu	Guangdong Kunlun Law Firm	Director, Executive Partner	1 Aug. 1998		Yes
Zhao Wei	China Paper Association	Vice Chairman and concurrent Secretary	1 Jan. 1998		Yes

Yang Zhenyu	Grant Thornton China and Ascenda Certified Public Accountants	Partner	1 Sep. 2009		Yes
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III. Remuneration of directors, supervisors and senior executives

Decision-making procedure, determination basis and actual payment of remuneration of directors, supervisors and senior executives

1. Decision-making procedure of remuneration of directors, supervisors and senior executives: remuneration of directors and supervisors was deliberated and approved by shareholders' general meeting; the standards of remuneration of senior executives were decided by the remuneration and appraisal commission according to management regulations of remuneration and business performance, then were submitted to the board of directors for approval.

2. Determination basis of remuneration of directors, supervisors and senior executives: the Company, according to the income level of industry and region and considering business performance of the Company and contribution to the Company, decided the scope of annual remuneration of directors, supervisors and senior executives. On the basis of appraisal results, annual remuneration was determined. Moreover, according to the growth of annual business performance and accomplishment of major projects, the extra rewards would be granted after the authorization of the board of directors and verification of Chairman of the board of directors.

Remuneration of directors, supervisors and senior executives in the reporting period

Name	Title	Gender	Age	Incumbent or not	Total amount of remuneration received from the Company	Total amount of remuneration received from shareholders' companies	Actual payment received at the end of the reporting period
Tong Laiming	Chairman of the Board	Male	43	Incumbent	0.00		0.00
Wang Qi	Vice Chairman of the Board, General Manager	Male	59	Incumbent	78.91		131.99
Wang Jun	Director	Female	40	Incumbent	0.00		0.00
Yan Su	Director	Male	42	Incumbent	0.00		0.00
Huang Xin	Director	Male	50	Incumbent	61.38		61.38
Yang Weixing	Director	Male	42	Incumbent	0.00	30	0.00
Zhu Zhengfu	Independent Director	Male	48	Incumbent	8.00		8.00
Zhao Wei	Independent Director	Male	52	Incumbent	8.00		8.00
Yang Zhenyu	Independent Director	Male	42	Incumbent	8.00		8.00
Hong Jun	Chairman of the Supervisory Committee	Male	53	Incumbent	0.00		0.00

Huang Jianrong	Supervisor	Male	56	Incumbent	18.50		18.40
Yang Yinghui	Supervisor	Male	42	Incumbent	33.00		18.00
Ji Xiangdong	Vice General Manager	Male	38	Incumbent	73		68.75
Zhou Qihong	Vice General Manager, Secretary of the Board of Directors	Male	45	Incumbent	47.40		58.22
Liu Wenbo	Vice General Manager	Male	59	Incumbent	54.70		54.91
Chen Jiali	Vice General Manager	Male	55	Incumbent	5.91		5.91
Liu Hanwen	Vice General Manager	Male	43	Incumbent	54.7		64.57
Qiu Ruquan	Vice General Manager	Male	49	Incumbent	54.7		65.62
Chen Yuenong	Vice General Manager	Male	51	Resignation	51.48		51.84
Total	--	--	--	--	556.27	30	623.59

Note: The remuneration received by the senior executives from the Company in 2012 includes the balance amount of previous year.

Information about stock incentive granted to directors, supervisors and senior executives in the reporting period

☐ Applicable ☒ Non-applicable

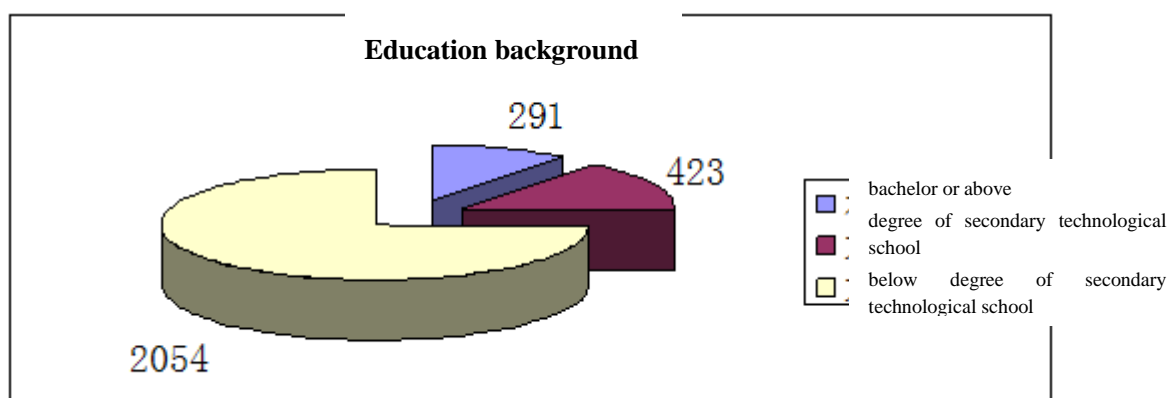
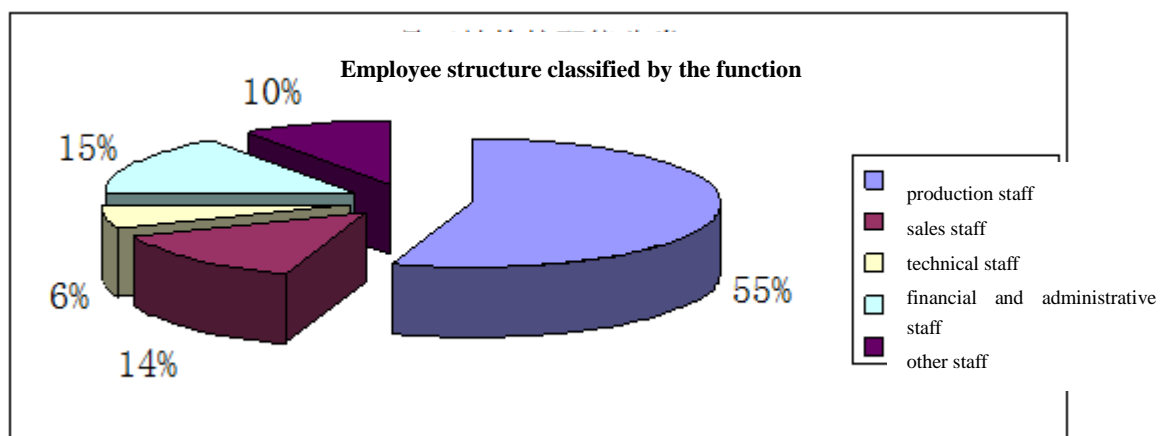
IV. Resignation and layoff of directors, supervisors and senior executives

Name	Title	Type	Date	Reason
Chen Yuenong	Vice General Manager	Resignation	12 June 2012	Leaving his post because of the health

V. Employees of the Company

Employees of the Company and professional structure: The Company has 2,768 in-service employees, including 1,532 production staff, 385 sales staff, 156 technical staff, 425 financial staff and administrative staff and 270 other staff. Classified according to education background, 291 employees hold bachelor degree or above, 423 employees have college diploma and 2054 employees are of or under degree of secondary technological school, senior middle school or technical school.

There existed no retirees whom the Company will bear the expenses while 19 retired staff the Company won't bear. The staff above included staff from subsidiary holding company.



Section VIII. Corporate governance

I. Basic information about corporate governance

In the reporting period, the Company continuously perfected its corporate governance structure, built up a modern enterprise system, and regulated its operation in accordance to Company Law, Securities Law and Code of Corporate Governance of Listed Companies as well as requirements of other relevant laws and statutes. In view of this, the Board of Directors believes that the actual situation of the Company's corporate governance is basically in line with the requirements of the Code of Corporate Governance for Listed Companies, which is detailed as follows:

(I) About shareholders and Shareholders' General Meeting: according to the Regulatory Opinions of Shareholders' General Meeting of Listed Companies, the Company further standardized the convening of the Shareholders' General Meeting, so as to ensure the full exercise of all shareholders' legal rights and interests, as well as the fair treatment for all shareholders, especially minority shareholders.

(II) About the controlling shareholders and the listed Company: the controlling shareholders acted according to rules, and did not go beyond the Shareholders' General Meeting for direct or indirect interference in the Company's decisions and business activities; the Company was separated from its controlling shareholders in such aspects as personnel, assets, financial affairs, organs and business activities. The Board of Directors, the Board of Supervisors and the Company's other internal organs worked independently; the transactions between the Company and its controlling shareholders, as well as other related parties, were conducted in a fair and just way.

(III) About the directors and the Board of Directors: directors of the Company were elected in strict compliance with the stipulation in the Company Law and the Articles of Association of the Company. And the number of directors and the structure of the Board of Directors were in accordance to the requirements of laws and regulations. In according to Rules of Procedures for the Board, attended the Board meetings in a conscientious and responsible manner.

(IV) About Supervisors and the Board of Supervisors: the number of supervisors and the structure of the Board of Supervisors were in line with the requirements of laws and regulations. And all the supervisors of the Company conscientiously performed their duties by supervising the legitimacy of duty performance of the directors, managers and other senior management personnel.

(V) About the performance appraisal and incentive & restraining mechanism: the performance appraisal and incentive & restraining mechanism were established in the Company to work impartially and transparently.

(VI) About information disclosure and transparency: the Secretary of the Board of Directors was assigned by the Company to take charge of information disclosure. In strict compliance with relevant laws and regulations, as well as the Information Disclosure Rules, relevant information was disclosed in time with authenticity, accuracy and completeness. And it was made sure that all shareholders were fairly treated in terms of information disclosure.

(VII) About related beneficiaries: the Company fully respected and protected the legal rights and interests of its related beneficiaries, and managed to reach a balance among interests of its shareholders, employees, the society and other related beneficiaries, so as to promote the Company's continuous and healthy development.

(VIII) About management of the relationship with investors: the Company had specially-appointed staff to manage the relationship with investors, and established a platform of communication with investors. And the phones calls and letters from investors were carefully answered and replied in details. Meanwhile, the investors visiting the Company in person were well received.

(IX) Further establishing governance institution: in the reporting period, the Company established “Work Institution of Secretary of the Board of Directors”, further clarified rights and responsibilities of Secretary of the Board of Directors and representative of securities business, and improved and standardized information disclosure; formulated “Distribution Mechanism of Corporate Profits”, standardized the profit distribution, promoted the foundation of scientific, sustainable and steady profit distribution mechanism and protected legal interests of medium-sized and small investors.

Whether there existed differences between corporate governance and the relevant regulations of “Company Law” and CSRC.

☐ Yes ☒ No

There existed no difference between corporate governance and the relevant regulations of “Company Law” and CSRC

Information about the progress of special activities of corporate governance, and about establishment and implementation of registration and management of insiders

This year, the Company had not launched special activities of corporate governance. The Company kept developing corporate governance activities, strengthened the independence of corporate operation and efficiency and standardization of corporate governance, according to the needs of self-governance and operation with the goal of improving the level of corporate governance. Since the beginning of this year, in the aspect of establishment and improvement of corporate governance institution, the Company mainly formulated “Work Institution of Secretary of the Board of Directors” and “Management Mechanism of Corporate Profit Distribution”; in the aspect of registration and management of insiders, the Company strictly implemented “Confidential System of Internal Information” and conducted registration of information about insiders in the regular reports and reported the relevant information.

II. Particulars about annual shareholders’ general meetings and temporary shareholders’ general meetings held during the reporting period

1. Particulars about annual shareholders’ general meetings during the reporting period

Meetings	Date of holding meetings	Proposal passed on the meetings	Resolution	Date of disclosure	Index for disclosure
2011 annual shareholders’ general meeting	3 May 2012	1. 2011 Working Report of the Board of Directors 2. Proposal on 2011 Annual Working Report of the Supervisory Committee 3. Proposal on 2011 Annual Financial Statement 4. Proposal on Profit Distribution Plan for 2011 5. Proposal on 2011 Annual Report and Abstract 6. Proposal on	The above proposals have been all approved.	4 May 2012	Name of announcement: Foshan Huaxin Packaging Co., Ltd.-Announcement on Resolution of 2011 Shareholders' General Meeting; Number of announcement: 2012-011 Newspaper and website on which the announcement was disclosed: Securities Times, HK Ta Kung Pao, Cninfo (http://www.cninfo.

		Continuing Recruiting the Accounting Firm for 2012			com.cn)
		7. Proposal on Conducting Routine Related Transactions Between Controlling Subsidiaries and Related Parties			
		8. Proposal on Providing Guarantee for Controlling Subsidiaries.			

2. Particulars about the temporary shareholders' general meeting

Meetings	Date of holding meetings	Proposal passed on the meetings	Resolution	Date of disclosure	Index for disclosure
The 1 st temporary shareholders' general meeting for 2012	4 Jan. 2012	1. Proposal on Conforming to the Conditions of Issuing Corporate Bonds 2. Proposal on the Plan of Issuing Corporate Bonds 3. Proposal on Requesting the Authorization of Shareholders' General Meeting and Approving That the Board of Directors Totally Conduct the Issuance and Listing of Corporate Bonds	The above proposals have been all approved.	5 Jan. 2012	Name of announcement: Foshan Huaxin Packaging Co., Ltd.-Announcement on Resolution of the 1 st Temporary Shareholders' General Meeting for 2012; Number of announcement: 2012-001Newspaper and website on which the announcement was disclosed: Securities Times, HK Ta Kung Pao, Cninfo (http://www.cninfo.com.cn)
The 2 nd temporary shareholders' general	13 Jan. 2012	Proposal on Transferring 25%	The above proposals have been all	14 Jan. 2012	Name of announcement:

meeting for 2012		Equities of Tetra Pak Huaxin (Foshan) Packaging Co., Ltd.	approved.		Foshan Huaxin Packaging Co., Ltd.-Announcement on Resolution of the 2 nd Temporary Shareholders' General Meeting in 2012; Number of announcement: 2012-002Newspaper and website on which the announcement was disclosed: Securities Times, HK Ta Kung Pao, Cninfo (http://www.cninfo.com.cn)
The 3 rd temporary shareholders' general meeting for 2012	3 July 2012	1. Proposal on Revising Articles of Association 2. Proposal on Formulating Management System of Profit Distribution	The above proposals have been all approved.	4 July 2012	Name of announcement: Foshan Huaxin Packaging Co., Ltd.-Announcement on Resolution of the 3 rd Temporary Shareholders' General Meeting for 2012;Number of announcement: 2012-022Newspaper and website on which the announcement was disclosed: Securities Times, HK Ta Kung Pao, Cninfo (http://www.cninfo.com.cn)

III. Duty performance of independent directors during the reporting period

1. Particulars about attendance of independent directors in board meetings and shareholders' general meetings

Particulars about attendance of independent directors in board meetings

Name of independent director	Amount of meetings independent director need attend this year	Amount of meetings independent director attended in person	Amount of meetings director attended in the means of communication	Amount of meetings director authorized others' attendance	Amount of meetings independent director was absent from	Whether being absent from board meetings two times in succession
Zhu Zhengfu	11	1	10	0	0	No
Zhao Wei	11	1	10	0	0	No
Yang Zhenyu	11	1	10	0	0	No
Amount of shareholders' general meetings that independent directors attended	4					

Explanations about being absent from board meetings two times in succession

2. Particulars about objections to relevant events of the Company raised by independent directors

Whether independent directors raised objections to relevant events of the Company

☐ Yes ☒ No

During the reporting period, independent directors did not raise objections to relevant events of the Company.

3. Other information about duty performance of independent directors

Whether advices related to the Company from the independent directors were taken or not

☒ Yes ☐ No

Explanation about whether advices related to the Company from the independent directors were taken or not

The Company, according to the relevant regulations and requirements of Company Law and Guideline on Establishing Independent Director System in Listed Company, Articles of Association, earnestly fulfilled the obligations of laws and regulations, articles of association and independent director system, actively attended the board meetings and shareholders' general meetings, examined and guided the production and operation of the Company, proposed independent opinions on significant events, put forward many valuable and expert advices about internal control and daily operation decisions, fulfilled the duties diligently, faithfully, brought their roles into full play and effectively safeguarded the interests of listed companies and general shareholders.

IV. Duty performance of special committees affiliated to the board of directors during the reporting period

The board of directors of the Company set up nomination committee, remuneration and appraisal committee, audit and strategy committee. Each committee proposed expert advices and opinions about the development of the Company in line with its own responsibilities and promoted the standardized corporate development. In 2012, duty performance of each committee affiliated to the board of directors:

1. The audit committee totally participated in the annual audit work for 2011 including formulation of plan on annual audit, examination and verification of the first draft of annual audit report and establishment of the final draft. The audit committee held four meetings in 2012 which respectively deliberated and approved report on annual financial statements, proposal on continuing employing accounting firms and conclusion on duty performance of accounting firm. The 4th meeting was aimed to communicate with the accounting firm about 2012 annual audit plan at the end of 2012.

2. In 2012, the remuneration committee held one meeting in total on which deliberated and approved proposal on remuneration distribution of the management for 2011.

3. Because the Company did not recruit new senior executives in 2012, the nomination committee did not hold meetings in 2012,
4. Because the Company did not conduct strategic external extension, the strategy committee did not hold meetings in 2012.

V. Particulars about the work of supervisory committee

Whether there existed risks in the Company during the reporting period on the basis of supervision conducted by the supervisory committee

☐ Yes ☒ No

The supervisory committee made no objection to events under supervision during the reporting period.

VI. Independence and integrity in business, personnel, assets, organization, finance and so on from controlling shareholder

The Company was independent from the controlling shareholder in aspects of personnel, assets, finance, institutions and business; independently calculated, assumed the responsibilities and risks. The Company had complete and independent business and capacity of self-operation. 1. In terms of personnel, the Company was also independent from its controlling shareholder. General Manager, Deputy General Manager, Secretary of the Board of Directors and financial personnel of the Company all drew remuneration from the Company, and they did not hold any important position in the controlling shareholder entities. 2. In terms of assets, the Company owned independent production and operation system and affiliated facilities. Assets invested by the controlling shareholder were independent and intact with the clear ownership. 3. In terms of assets, the Company set up independent accounting department, founded independent accounting calculation system and financial management rules; the Company opened an independent account and paid taxes in line with the laws. 4. In terms of institution, the Company set up organizations independent from the controlling shareholder and conducted the work and performed the duties independently. 5. In terms of business, the Company was completely independent from its controlling shareholder and was fully capable of running its completely independent business.

VII. Horizontal competition

There existed no horizontal competition in the reporting period.

VIII. Particulars about appraisal and incentive mechanisms for senior executives

1. The Company, according to principles of remuneration and stock incentive mechanisms approved by shareholders' general meeting, Management Method of Remuneration and Incentive of Foshan Huaxin Packaging Co., Ltd. and Implementation Rules of Remuneration and Incentive of Foshan Huaxin Packaging Co., Ltd. revised in 2010 by the remuneration and appraisal committee and the board of directors, determined the amount of incentive remuneration for senior executives on the basis of appraisal results. 2. In the reporting period, the subsidy for independent directors was RMB 80 thousand per year and the expenses for duty performance were borne by the Company. 3. The incumbent Chairman of the board of directors, Tong Laiming, and Directors including Wang Jun, Yan Su, Yang Weixing did not draw remuneration in the Company. Hong Jun, the supervisor did either. Chen Jiali, the Vice General Manager did not draw remuneration from Jan. to Sep.. The above persons all received remuneration from entities where they held the posts.

Section IX. Internal Control

I. Information about internal control

(I) Overall situation: in the reporting period, the Company, in accordance with the requirements of Company Law, Securities Law, Governance Law for Listed Companies, Guideline for Internal Control of Listed Companies, continuously perfected the governance structure of corporations, standardized the relationship between the Company and controlling shareholders, strengthen the management and control of routine related transactions, continuously enhanced the level of governance and standard operation and conducted a basic guarantee for the effective implementation of internal control management of listed companies to lay a solid foundation to the long-term development of the Company. (II) Relationship between the controlling shareholder and listed companies: the code of conduct of controlling shareholder did not directly or indirectly interfere with the decision-making and operation of the Company regardless of shareholders' general meeting; the Company and controlling shareholder conducted "independence in five aspects" including independence in personnel, assets, finance, institution and business; the board of directors, supervisory committee and internal institutions can operate independently; the transactions conducted between the Company and controlling shareholder were fair, righteous and equitable. (III) Directors and the board of directors: the Company, in strictly accordance with employment procedure regulated in Company Law, Articles of Association, elected directors. The number and structure of the board of directors were in conformity with the requirements of laws and regulations. The directors in the Company were able to the institutions of Rules of Resolution for the Board of Directors and attended the board meetings with the careful and earnest attitude. (IV) Implementation of internal control construction: in the reporting period, the Company, according to the requirements of Notification on Well Conducting Standard Implementation of Internal Control of Listed Companies in Administrative Areas (Guangdong Securities Regulatory Bureau No. [2012]27) issued by Guangdong Securities Regulatory Bureau, and in line with the relevant requirements of Basic Standards for Corporate Internal Control (CK No. [2008]7) and Matched Guideline on Corporate Internal Control (CK No. [2010]11) issued by five ministries and commissions including Ministry of Finance and CSRC, formulated and implemented "Standard Implementation Plan on Internal Control of Foshan Huaxin Packaging Co., Ltd." (hereinafter referred to as Internal Control Plan). In order to promote the construction of internal control system, the Company founded leading group of internal control with the chairman of board of directors as the major person in charge and work group who are responsible for implementation and management of Internal Control Plan to gradually promote the construction and implementation of internal control systems in the Company and subsidiaries. In the reporting period, the Company, according to the established Internal Control Plan, had finished the promotion of internal control system construction in line with the fixed plan, accomplished risk recognition and evaluation of internal control, recognition of control activities and tests for the efficiency of internal control and employed expert institutions for the audit of self-appraisal report of internal control.

II. Statement of responsibilities of the board of directors about internal control

Establishing, perfecting and effectively implementing internal control is the responsibility of the board of directors. The supervisory committee supervises the establishment and implementation of internal control; the management is responsible for organizing and leading the routine operation of internal control. The objective of internal control: 1. Strictly accord to the national relevant laws and regulations and ensure the corporate operation is in conformity with the laws and regulations. 2. Guard corporate risks and ethic risks through strengthening the effective control to operation process. 3. Enhance the efficiency and results of operation and ensure the successful realization of development strategies. 4. Prevent, find in time and correct the mistakes and frauds, ensure the safety and completeness of corporate assets. 5. Ensure the promptness, factuality, accuracy and completeness of accounting information and enhance the quality of information of corporate financial reports. Because of the inherent limit of internal control, only rational guarantee can be provide for the above-mentioned objectives of internal control.

III. Basis on establishing the internal control for financial report

Establishment of the internal control for financial report is based on Basic Standards for Corporate Internal Control and the matched guideline issued by five ministries and commissions including Ministry of Finance and CSRC.

IV. Self-appraisal report on internal control

Particulars about significant defects of internal control found during the reporting period in the self-appraisal report on internal control	
During the reporting period, the Company hadn't found any significant defects in internal control.	
Disclosure date of the Self-appraisal Report on Internal Control	20 April 2013
Disclosure index of the Self-appraisal Report on Internal Control	

V. Auditor's report on internal control

☒ Applicable ☐ Non-applicable

Audit opinion paragraphs in the Auditor's Report on Internal Control	
The auditors held the opinion that Foshan Huaxin Packaging Co., Ltd. maintained effective internal control of financial statements in all significant aspects according to Basic Standards of Corporate Internal Control and relevant regulations.	
Disclosure date of the Auditor's Report on Internal Control	20 April 2013
Disclosure index of the Auditor's Report on Internal Control	

Whether the CPAs firm issues an Auditor's Report on Internal Control with non-standard opinion or not?

☐ Yes ☒ No

Whether the Auditor's Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

☒ Yes ☐ No

VI. Establishment and execution of Accountability Mechanism for Material Mistakes in Disclosure of Annual Reports

On 29 April 2010, the 4th session of the 4th board of directors in 2010 deliberated and approved "Accountability Mechanism for Material Mistakes in Disclosure of Annual Reports". Up to now, there existed no major mistakes of annual report information regulated in the above mechanism.

Section X. Financial Statements

I. Audit report

Type of audit opinions	Standard unqualified opinions
Name of audit institution	Shu Lun Pan CPA Co., Ltd. (LLP)

Main body of audit report

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	505,425,00 0.00	250,531,48 2.00			129,236,47 2.97		414,064,63 6.90	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	505,425,00 0.00	250,531,48 2.00			129,236,47 2.97		414,064,63 6.90	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 Holding Group Co., Ltd.

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	Recognition basis of group
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	basis	
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 essential 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 essential 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	Manufaturing	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 essential 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 Renhen g Paper Co., Ltd.	Holding subsidiary	Zhuhai	Manufa cturing	USD24 360990 9	Manufa cturing 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	Manufa cturing	692719 40	Manufa cturing and selling of chemica l raw materials	69,000, 000.00		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 Jinhou 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.

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

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	31 Jul. 2012	31 Jan. 2013	8,000,000.00	

Co., Ltd.				
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	--

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	Book balance	Provision for bad

	Amount	Proportion (%)	debts	Amount	Proportion (%)	debts
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 Jiema Printing 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	--	--
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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 Commission	2,000,000.00	2,000,000.00	100%	Advances for road construction before 2001, 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%	Estimated 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
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	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
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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 in investee (%)	Voting percentage in investee (%)	Explanation for differences between the share holding percentage and voting percentage in	Impairment provision	Withdrawn impairment provision in the reporting period	Cash bonus in the reporting period
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								investee			
Tetra Huaxin (Foshan) Packaging Co., Ltd.	Equity method	145,945,947.55	205,323,873.74	-205,323,873.74							109,574,409.85
Guangdong Chengtong Logistics Co., Ltd.	Equity method	7,200,000.00	6,492,259.33	179,591.14	6,671,850.47	24%	24%				
China Guangfa Bank Co., Ltd.	Cost method	113,558.00	113,558.00		113,558.00	0.000428%	0.000428%				
Total	--	153,259,505.55	211,929,691.07	-205,144,282.60	6,785,408.47	--	--	--			109,574,409.85

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
1. 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
1. Houses and buildings				
V. Book value of investment property				

1. Houses and buildings	17,536,077.64	-	-	9,942,981.44
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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 BM2DC S&QCS	2,500,000.00		2,226,798.29			89.07%	90%				Other source	2,226,798.29
Renovation of BM1 multi-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 card coated paper double-sided special production line	25,000,000.00		4,000,910.13			16%	10%				Other source	4,000,910.13

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
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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
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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		
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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
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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
Foshan Huaxin Development Co., Ltd.	11,756,255.21	Current account	

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

Mature loan of long-term loan due within 1 year:

Unit: RMB Yuan

Creditor	Amount of loan	Overdue date	Annual rate (%)	Usage	Reason for unsettlement	Estimated settlement date
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RMB* was paid back after Balance Sheet Date:

Notes of long-term borrowings due within 1 year:

(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	Closing interest payable	Closing balance
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							period		
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. (ZJXX [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
Cost of sales	3,148,676,463.87	3,420,122,956.57

(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
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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	1,200,000.00	100,000.00	Awards for corporate energy saving

and consumption reduction			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 Municipal Bureau of Finance	100,000.00		Funds for famous brands and trademarks
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 Department from the provincial appropriation		200,000.00	Funds for the independent brand projects of processing trade by transformation and upgrading
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
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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. S_k represents the number of a reverse share split. M_0 represents the months during the period. M_i represents the months from the following month after issuing incremental shares to the end of the period. M_j represents the months from the following month after reducing shares to the end of the period.

2. Diluted EPS

Diluted EPS = $P_1 / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{The weighted average number of incremental ordinary shares on warrants, options, convertible debt and so on})$

Of which: P_1 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 current year	Occurred amount in 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. by holding	61,652,343.69
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., Ltd.	Controlling shareholder	Limited company	Foshan	Tong Laiming	Manufacturing	457930000	65.2%	65.2%	China Chengtong Holding Group Co., Ltd.	19353992-5
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.	Shareholding company	Limited liability company	Zhuhai	Yan Su	Manufacturing	984560000	100%	100%	61762142-1
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Holding subsidiary	Limited liability company	Zhuhai	Tong Laiming	Manufacturing	USD243609909	41.97%	41.97%	61750210-7
Foshan Huazhi Waste Paper Recycling Co., Ltd.	Shareholding company	Limited liability company	Foshan	Chen Jiali	Service industry	5000000	100%	100%	77620148-3
Pearl River Color Printing Co., Ltd. of Chancheng District, Foshan	Shareholding company	Limited liability company	Foshan	Chen Jiali	Manufacturing	1500000	100%	100%	70817367-9
Kunshan Focai Packaging & Printing Co., Ltd.	Holding subsidiary	Limited liability company	Suzhou	Chen Zhenran	Manufacturing	5000000	100%	100%	56030722-X

Zhuhai Jinji Chemicals Co., Ltd.	Shareholding company	Limited liability company	Zhuhai	Ji Xiangdong	Manufacturing	69271940	51%	51%	77623593-1
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3. Particulars on joint ventures and associated enterprises of the Company

Unit: RMB Yuan

Item	Business Type	Registration place	Legal representative	Business scope	Registered capital	Proportion of holding shares (%)	Proportion of voting rights (%)	Relationship	Organization code
I. Joint ventures									
II. Associated enterprises									
Guangdong Chengtong Logistics Co., Ltd.	Limited liability company	Zhuhai	Li Xiangyang	Service	30000000	24%	24%	Associated enterprise	78485447-6
Tetra Huaxin (Foshan) Packaging Co., Ltd.	Sino-foreign joint venture	Foshan	Li Hexun	Manufacturing	USD67000000	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 Guan hao 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 Co., Ltd.	Raw materials	Based on market price and pricing after negotiation	5,730,200.00	0.92%	13,846,800.00	4.1%
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	Pricing principle	Reporting period	Same period of last year
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	related-party transaction	and decision making procedure of related-party transactions	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 Co., Ltd.	Liquid packaging paper	Based on market price and pricing after negotiation	307,3200.00	41.66%		
Guangdong Guanbao 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.,	Houses and buildings	1 Jan. 2012	31 Dec. 2012	Agreement price	1,112,500.00

	Ltd.					
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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	569,400.00
Foshan Huaxin Import & Export Co., Ltd.	The Company	18/F Office Building	1 Jan. 2012	30 Jun. 2012	Market price	273,900.00

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 Guan hao 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 Guan hao 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 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	8,630,545.13	100%		0.00		

within 1 year						
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) Co., Ltd.	Related party	3,595,601.84	Within 3 months	41.66%
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%
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(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
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
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	
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(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., Ltd.	Subsidiary	370,190,000.00	25.82%
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	Initial investment	Opening balance	Increase/decrease	Closing balance	Shareholding	Voting right	Explanations on	Provision for	Withdrawal amount	Cash bonus in
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	method	t cost				Proportion (%)	Proportion (%)	differences between shareholding proportion and voting right proportion	impairment loss	of impairment provision in the reporting period	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 Chengton 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 Focai Packaging & Printing Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100%	100%				
Total	--	1,376,190,789.69	1,435,568,715.88	-205,323,873.74	1,230,244,842.14	--	--	--			109,574,409.85

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 due within one year		230,000,000.00	-100.00%	Repayment of 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	26,945,309.49	-3,864,089.87	-797.33%	Mainly

assets				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

Section XI. Documents Available for Reference

The investors and relevant departments can access to the materials in the Office of the Board of Directors of the Company as follows:

1. Financial statements with the signatures and seals of the legal representative, principal of accounting work, and manager of finance department;
2. Originals of Auditors' Report with the seals of the CPAs firm and the signatures & seals of the certified public accountants;
3. Texts of all the Company's documents ever disclosed on <http://www.cninfo.com.cn> in the reporting period, and the originals of the public notices.
4. The text of the 2012 Annual Report with the authentic signature of the Chairman of the Board of Directors.

Chairman of the Board: Tong Laiming

Board of Directors of Foshan Huaxin Packaging Co., Ltd.

18 Apr. 2013