



FOSHAN HUAXIN PACKAGING CO., LTD.

ANNUAL REPORT 2017

2018-013

March 2018

Part I Important Statements, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Board, as well as the Directors, Supervisors and senior management of Foshan Huaxin Packaging Co., Ltd. (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representations, misleading statements or material omissions in this Report.

Ren Xiaoping, the Company’s legal representative, Yang Chenglin, the Company’s Chief Financial Officer, and Wen Yan, the Company’s Financial Manager hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

Except for the following, all the other directors attended in person the Board meeting for the review of this Report.

Name	Office title	Reason for not attending in person	Proxy
Li Jun	Independent Director	For reason of work	Xu Changlong

Any plans for the future and other forward-looking statements mentioned in this Report shall NOT be considered as virtual promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to possible investment risks.

The Board has considered and approved a proposal for profit distribution: Based on the total shares of 505,425,000, a cash dividend of RMB0.18 (tax inclusive) per 10 shares would be distributed to all the shareholders, with no stock dividend in any form.

This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

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Definitions

Term	Definition
The “Company”, “FSHXP” or “we”	Foshan Huaxin Packaging Co., Ltd. (inclusive of its subsidiaries included in the consolidated financial statements)
Parent, Parent Company	Foshan Huaxin Packaging Co., Ltd. (exclusive of its subsidiaries included in the consolidated financial statements)
China Paper	China Paper Corporation (the actual controller of the Company)
China Chengtong	China Chengtong Holdings Group Ltd. (the ultimate controller of the Company)
Huaxin Development	Foshan Huaxin Development Co., Ltd.
Hongta Renheng	Zhuhai Hongta Renheng Packaging Co., Ltd.
Zhuhai Huafeng	Zhuhai Huafeng Paper Co., Ltd.
Golden Pheasant Chemical	Zhuhai Golden Pheasant Chemical Co., Ltd.
Huaxin Color Printing	Huaxin (Foshan) Color Printing Co., Ltd.
Kunshan Focai	Kunshan Focai Packaging & Printing Co., Ltd.
Zhejiang Hongta	Zhejiang Hongta Renheng Packaging Technology Co., Ltd.
Foshan Chengtong	Foshan Chengtong Paper Co., Ltd.
Chengtong Finance	China Chengtong Finance Corporation Ltd.

Part II Corporate Profile and Key Financial Information

I Corporate Information

Stock name	FSHXP B	Stock code	200986
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	佛山华新包装股份有限公司		
Abbr.	华新包装		
Company name in English (if any)	Foshan Huaxin Packaging Co.,Ltd		
Abbr. (if any)	FSHXP		
Legal representative	Ren Xiaoping		
Registered address	2/F, Block 7, 3 Keyang Road, Luoge Park, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan, Guangdong Province, P.R.China		
Zip code	528000		
Office address	2/F, Block 7, 3 Keyang Road, Luoge Park, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan, Guangdong Province, P.R.China		
Zip code	528000		
Company website	http://www.fshxp.com		
Email address	hxbz@chinapaper.com.cn		

II Contact Information

	Board Secretary	Securities Representative
Name	Liu Yan	Shi Hui
Address	2/F, Block 7, 3 Keyang Road, Luoge Park, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan, Guangdong Province, P.R.China	2/F, Block 7, 3 Keyang Road, Luoge Park, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan, Guangdong Province, P.R.China
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III Media for Information Disclosure and Place where this Report is Kept

Newspapers designated by the Company for	Securities Times, Ta Kung Pao (HK)
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information disclosure	
Website designated by CSRC for publication of this Report	http://www.cninfo.com.cn
Place where this Report is kept	2/F, Block 7, 3 Keyang Road, Luoge Park, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan, Guangdong Province, P.R.China

IV Company Registered Information and Alterations

Credibility code	N/A
Changes in primary business scope of the Company since going public (if any)	No changes
Changes of controlling shareholder (if any)	No changes

V Other Information

Independent certified public accounting (or “CPA”) firm hired by the Company:

Name	Da Hua Certified Public Accountants (Special General Partnership)
Office address	1101 of the No. 7 Building, No. 16 Yard, Mid of West 4 th Ring Road, Haidian District, Beijing
Accountants writing signatures	Chen Baohua, Zhou Lingzhi

Independent sponsor hired by the Company to exercise constant supervision over the Company during the Reporting Period:

☐ Applicable ☒ Not applicable

Independent financial advisor hired by the Company to exercise constant supervision over the Company during the Reporting Period:

☐ Applicable ☒ Not applicable

VI Key Financial Information

Indicate by tick mark whether there is any retrospective restatement in the accounting data below.

☐ Yes ☒ No

	2017	2016	Change	2015
Operating revenue (RMB)	3,583,157,646.37	3,607,758,904.01	-0.68%	3,282,043,995.12
Net income attributable to shareholders of the listed company (RMB)	18,637,865.97	61,324,088.11	-69.61%	133,094,696.66
Net income attributable to shareholders of the listed company before nonrecurring gains and losses (RMB)	12,337,519.04	27,820,866.82	-55.65%	11,175,961.64

Net cash flows from operating activities (RMB)	-36,774,721.08	409,111,111.08	-108.99%	613,491,329.76
Basic earnings per share (RMB/share)	0.04	0.12	-66.67%	0.26
Diluted earnings per share (RMB/share)	0.04	0.12	-66.67%	0.26
Weighted average return on equity (%)	0.94%	3.13%	Down 2.19 percentage points	7.10%
	December 31, 2017	December 31, 2016	Change	December 31, 2015
Total assets (RMB)	5,426,368,352.69	6,182,737,808.93	-12.23%	6,059,337,427.41
Net assets attributable to shareholders of the listed company (RMB)	1,982,859,436.21	1,980,395,170.24	0.12%	1,938,277,232.13

VII Accounting Data Differences under CAS (Chinese Accounting Standards) and IFRS (International Financial Reporting Standards) and Foreign Accounting Standards

1. Net Income and Net assets Differences Arising from Reporting under CAS and IFRS

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

2. Net Income and Net Assets Differences Arising from Reporting under CAS and Foreign Accounting Standards

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	796,059,435.36	771,139,766.86	991,128,655.96	1,024,829,788.19
Net income attributable to shareholders of the listed company	6,724,398.15	5,763,250.84	6,677,224.73	-527,007.75
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	5,314,157.47	4,765,684.22	5,941,118.13	-3,683,440.78
Net cash flows from operating	-667,131,637.98	59,998,340.41	620,510,911.38	-50,152,334.89

activities				
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Indicate by tick mark whether any of the financial indicators above or their summations differs materially from what have been disclosed in the Company's quarterly or semi-annual reports.

☐ Yes ☒ No

IX Nonrecurring Gains and Losses

☒ Applicable ☐ Not applicable

Unit: RMB

Item	2017	2016	2015	Note
Gains/Losses on disposal of non-current assets (inclusive of offset impairment allowances)	275,303.86	-690,044.71	114,279,468.16	
Government subsidy charged to current gains/losses (exclusive of government grants closely related to the Company's normal business operations and constantly given at fixed quotas or amounts as per government's uniform standards)	13,791,511.79	26,022,524.47	16,481,293.41	
Capital occupation charges on non-financial enterprises that are charged to current gains and losses	14,745,309.37	22,334,467.56		
Gains/Losses on debt restructuring			2,288,256.01	
Gains/Losses on changes in fair value of trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges related to normal business operations of the Company)	1,326,459.63	5,536,398.42	-5,985,459.17	
Non-operating income and expense other than above	-24,429,364.21	-263,588.90	2,386,314.75	Loss caused by a typhoon on a subsidiary in Zhuhai
Less: Income tax effects	-661,998.98	2,645,887.81	1,604,695.65	
Non-controlling interests effects (net of tax)	70,872.49	16,790,647.74	5,926,442.49	
Total	6,300,346.93	33,503,221.29	121,918,735.02	--

Explanation of why the Company classified an item as a nonrecurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Nonrecurring Gains and Losses, or reclassified any nonrecurring gain/loss item given as an example in the said explanatory announcement as a recurring gain/loss:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Part III Business Summary

I Primary Business Scope for Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

The Company specializes in the R&D, production and sales of high-end coated ivory board, chemicals for paper making and color printing business. The businesses are described as follows:

(I) High-end coated ivory board

The ivory board is a product of the Company's main business, as a category of ivory board, is widely applied in various fields such as cigarette packaging, food packaging, medicine packaging, cosmetic packaging and living supplies packaging, which is an important source of the Company's major business income. The R&D, production and sales of the ivory board is mainly undertaken by Zhuhai HongtaRenheng Packaging Co., Ltd. and Zhuhai Huafeng Paper Co., Ltd. HongtaRenheng is the core high-end packaging board platform under Huaxin Packaging which is based in domestic and overseas high-end packaging markets of cigarette and food and provides "personalized" products and services for customers with "differentiation" business strategy. The Company now has three coated ivory board production lines, and the annual production capacity around 600,000 tons. The Company's products can be divided into the following categories:

1. Coated ivory board for cigarette packaging of company's dominant product, is widely used in the high-end cigarette packaging market. The coated ivory board for cigarette packaging produced by HongtaRenheng takes up a dominant position in the domestic cigarette packaging field. It represents the highest level of coated ivory board quality in China. It has won a Golden Award at China's International Paper & Paper Product Brands Exhibition, and the top award of the Chinese science and technology community—the first-class State Science and Technology Advancement Award. The anti-counterfeit coated ivory board with color fiber and true-color fiber etc.—a technology that is independently developed by the Company and has been granted the national invention patent of China—has been successfully applied in the packaging of a series of cigarettes in the “Hongta Group” and “HongyunHonghe Group” brands to combat counterfeiting from the packaging materials, reaching the significant anti-counterfeit results of “easily identifiable but difficult to copy”. Currently, a new type of ivory board for cigarette packaging is being tested for quality.
2. The ivory boards for liquid food packaging is an important development direction of the Company. HongtaRenheng is the first to break the foreign technological monopoly, by independently developing the sterile paper for packaging of liquid milk, fruit juice, herbal tea and other drinks, effectively substituting imported products. The series of food packaging products such as anti-oil food grade coated board and high-end paper cup have been recognized by well-known catering groups such as McDonald's after they are put into the market.
3. The high-end commercial ivory board papers aim to meet the personalized demands of customers. They are widely applied in the segmented packaging market fields like the high-end medicine, cosmetics, and daily necessities. The anti-counterfeit coated ivory paper with personalized identification code independently developed by the Company and for which it has been granted the invention

patent has been successfully applied in the anti-counterfeit packaging of the high-end products like high-end medicine and cosmetics, which does not only solve the difficulties posed by impact from counterfeit and shoddy products for customers at the source, but also effectively reduces the customer's anti-counterfeit costs and fake product crackdown expenses and win high trust from the market.

(II) Paper making business

Chemicals for paper making is business to extend the paper-making industry chain by the Company, the R&D, production and sales of which are mainly undertaken by Zhuhai Jinji Chemical Co., Ltd., a subsidiary of the Company, which mainly supplies the carboxylic butadiene-styrene latex, styrene-acrylic latex and calcium carbonate of domestically first-class quality.

(III) Color printing business

Color printing business is an important industrial linkage supporting business of the Company, which covers designing and manufacturing packaging materials and providing packaging solutions for customers. This business is mainly undertaken by Huaxin (Foshan) Color Printing Co., Ltd.. The Company now owns the offset, flexo and intaglio printing workshop. Main products include color boxes, various labels (paper label, in-mold label and sticker), barcode printing, brochure, books and periodicals involved in wide terminal consumption industry.

II Material Changes in Main Assets

1. Material Changes in Main Assets

Main assets	Reason for any material change in the period
Equity assets	The Company's equity assets decreased 96.72% during the period. Due to a new share issue by Chengtong Finance during the period, the Company's stake in it decreased from 20% to 10% and has no longer had control, joint control or significant influence on Chengtong Finance. Therefore, the Company's long-term equity investment in Chengtong Finance was reclassified into available-for-sale financial assets measured at the cost method.

2. Main Assets Overseas

☐ Applicable ☒ Not applicable

III Core Competitiveness Analysis

Is the Company subject to any disclosure requirements for special industries?

No.

(I) Central government-owned enterprise background

China Chengtong Holdings Group Ltd. (China Chengtong), the ultimate controller of the Company, is a large central government-owned enterprise which is approved by the State-owned Assets Supervision and Administration Commission of the State Council to engage in "production, development and utilization of forestry, wood pulp and paper" as its main business. As a central

government-owned enterprise that serves with its fellow enterprises as an important pillar in the national economy and that the Communist Party of China (CPC) significantly relies on to run and develop the country, China Chengtong will uphold the spirit of the 19th National CPC Congress, take the initiative to promote the combined reorganization of advantageous capacities within this industry for the purpose of enhancing the market status, reform towards diversified operations, and carry on the country's strategic policy to take the lead in Belt and Road International Capacity Cooperation. China Chengtong has been recognized as a pilot state-owned enterprise in 2016. The China State-Owned Enterprise Restructuring Fund led by China Chengtong has reached a total size of RMB350 billion, of which 80% will be used for restructuring of China's key state-owned enterprises. This has provided a new financing channel and investment mechanism for the restructuring and upgrade of central government-owned enterprises.

(II) Technological innovation advantage

The Company persists in taking "scientific and technological innovation" as the core power that drives enterprise development. The Company has nearly 20 years of technical experience in the production of high-end coated ivory board. Over the years, the Company has developed anti-counterfeit products such as the coated ivory board with color fiber and true-color fiber and formed strong anti-counterfeit product innovation capability. Meanwhile, the Company has personalized product technique innovation capability and has developed the "anti-counterfeit coated ivory paper with personalized identification code" which can attain anti-counterfeiting according to the customer's personalized demand and solve the difficulties posed by impact from counterfeit and shoddy products for customers at the source. Additionally, the Company is developing quite a few individualized products with new functions, which would help solidify and expand its technological superiority in subsectors.

In recent years, the company has made unremitting effort to promote the subordinate's R&D system construction:

1. HongtaRenheng has established a technology R&D center equipped with completed devices, and been attested by Provincial Technology Center, Engineering R&D Center and Guangdong Provincial Innovation Pilot Enterprise; in 2016, the "Nature Color Packaging Paper Project" of HongtaRenheng won second-class Science and Technology Advancement Award issued by China National Light Industry Council. Meanwhile, the company also participated in formulating corresponding national and industrial standards including Coated Paper and Board-Coated Ivory Board and Quality Requirements and Test Methods for Intaglio Printed Matter.
2. In 2016, the subsidiary Zhuhai Huafeng Paper Co., Ltd. successfully passed the recognition for "National High-tech Enterprise" with the certificate No. GR201644001293. Zhuhai Huafeng passed the recognition of Guangdong Zhuhai Huafeng Paper Engineering Technology Research Center for Guangdong Provincial Department of Science and Technology.
3. The subsidiary Zhuhai Golden Pheasant Chemical Co., Ltd. passed the review for "National High-tech Enterprise" in 2016 with the certificate No. GR201644004219. It has also passed the verification by the Zhuhai Engineering Center, the Zhuhai Enterprise Technology Center and the Emulsion Polymer for Paper Making Engineering Technology Research Center under the Department of Science and Technology of Guangdong Province.

All the Company's main subsidiaries have been recognized as "National High-tech Enterprise" and were granted the 10% relief from income tax in three successive years.

By means of continuous research and development, the Company has obtained various patents, providing the most important technical support and guarantee for the advancement of product competitiveness. As of the end of the Reporting Period, the Company had acquired 40 duly authorized patents, including 23 invention patents and 17 utility models. There are 16 pending

patents, including 11 innovation patents and 5 utility models.

(III) Quality brand advantage

HongtaRenheng has the top award of the Chinese science and technology community—the first-class State Science and Technology Advancement Award. The high-end coated ivory board produced by HongtaRenheng has excellent printing performance. Dominant product—coated ivory board for tobacco packaging, is widely used in the high-end tobacco packaging market, takes up a dominant position in high-end tobacco packaging field.

"Hongta" coated ivory board takes up a leading position in domestic and overseas ivory board industry and leads the development of production and technology of domestic middle and top grade coated ivory board. "Hongta" coated ivory board represents the highest level of production, technology and product of coated ivory board in China and has becomes a world-famous brand.

(IV) Management advantage

"The fittest survives. That's why we must be open-minded and innovative for survival and development." is the Company's management philosophy. Upon years of accumulation, the Company has possessed a large pool of high-quality talent in technological innovation and management. In recent years, the Company has sought help from a third-party professional consulting agency to help implement lean production and management across the Company, refreshing its employees' thinking and awareness at work, fostering a lean thinking among them and stimulating their enthusiasm at work. Decreasing cost and increasing efficiency by means of lean production and management, the Company has formulated its own unique corporate culture characteristic of lean management, which is well accepted by its key personnel.

(V) Superiority in environment protection

Hongta Renheng's boilers are using biomass molding fuel (BMF). Its emission reduction through BMF program is China's biggest biomass boiler program. BMF, a clean energy which releases zero harmful emissions to the environment, is used for 70% of Hongta Renheng's energy consumption, which can help bring a nearly 70% reduction in carbon emission during the papermaking process, as well as a reduction of 60,000~100,000 tons of carbon dioxide emission every year. BMF has helped create remarkable superiority in emission reduction and environment protection.

Part IV Company Performance Discussion and Analysis

I Overview

(I) Industry Environment

The papermaking industry is closely connected to the macro economy. With a slowdown in China's economic growth, the papermaking industry is under the pressure to change. However, along with the improving living standards and income level, as well as economic restructuring and improvement, China's per capita paper and paperboard consumption is expected to rise further. In addition, the stricter environment protection policy as part of a government-led supply-side reform would weed out some small, weak and outdated papermakers, which would help create a more centralized market, further optimize the competition structure and form a virtuous circle of development. Distinct signs of recovery have been seen in the papermaking industry.

During 2017, a wide variety of paper saw varying degrees of increase in price, with the biggest increase in the prices of packaging paper products. In the ivory board subsector, under the pressure of the continued large rise in the commercial wood pulp prices, the prices of both food packaging board and commercial board (the primary product for the ivory board market) registered a strong rise, with the prices of cigarette box board basically being flat.

(II) Company Performance during Reporting Period

During the Reporting Period, the rising prices of raw materials led to a higher cost for the Company. Therefore, it was a priority task for the Company to reduce costs and increase efficiency at the same time. During 2017, the Company embraced the philosophy of "New Measures for Reform, New Methods for Management, New Thinking for Operations and New Mechanisms for Incentive", adhered to a market-oriented strategy and followed the guideline of "Increase Efficiency through Production Ramp-up and Increase Earnings through Efficiency Improvement". It furthered the lean management campaign to try to increase production efficiency and improve operating results.

During the Reporting Period, the Company achieved operating revenue of RMB3,583.1576 million, a pretax income of RMB37.3996 million and a net income attributable to the shareholders of the listed company of RMB18.6379 million. As of the end of the Reporting Period, the total assets stood at RMB5,426.3684 million, with a debt-to-assets ratio of 33.61%.

(III) Management Measures Taken within the Reporting Period

1. Implement the Marketing System's Reform and Improve the Marketing Capability.

Within the reporting period, the company kept up with the market, and regard "Structure Adjustment, Gross Margin Increase, Dual Reduction Orientation and Reform Advocating" as the key line for overall marketing management in order to positively implement the marketing system's reform:

(1) Strengthen the vertical management and control of varieties and businesses: HongtaRenheng has promoted the classified management and control mode based on three major categories (cigarette paperboard, food paperboard and social paperboard), formulated and implemented the overall periodical marketing strategies featuring "reducing partial low gross margin food ivory paper orders, expanding the sales volume of social ivory paper and continuously developing the cigarette ivory paper market", and continued to increase the product's gross margin by optimizing the product and the customer structure and catching up with the trend in price rising;

(2) Optimize the sales team and improve the evaluation system: in order to give the marketing's driving role a full play, the company has attached great importance to optimize the personnel structure within the marketing system and established the sales performance evaluation system based on corresponding regions with "sales volume" as the core index and "gross margin" and "receivables" as ancillary index.

(3) Fulfill the "Dual Reduction" objective in a persistent way: for marketing management personnel, corresponding job

responsibilities will be assigned to specific persons; formulate and implement corresponding inventory and receivables management strategy and plan; assign corresponding “Dual Reduction” objective to corresponding region for fulfillment and management and keep supervising the implementation.

2. Technical Innovation serves as the nuclear power for the enterprise’s development.

Within the reporting period, the Company has increased the investment into R&D, made innovations in relevant paper-making techniques and emphasized the R&D of 7 new functional products that have entered their actual R&D stage as scheduled and made great breakthrough in line with national policy and the actual development situation, which will strengthened the company’s competitive edges and support the company’s further growth under the rigorous industrial situation. Meanwhile, the company has established the first professional cigarette packaging paperboard technology R&D innovation platform in China--“Yunnan Chinese Cigarette & Zhuhai HongtaRenheng Cigarette Paperboard R&D Innovation Platform” which will continuously make technical innovations and conduct R&D within the cigarette packaging field, providing technical support for the new standard and new demand in Chinese Cigarette Packaging Industry. Currently, the Company has multiple new products at the primary testing stage and certain new products in middle-stage testing.

3. Continue to Promote Lean Management and Integrate IT Application with Industrialization.

The Company’s lean management always emphasizes the actual effect, focuses on the specific management objective by making use of external professional forces including lean management consulting company and aims to enhance the operation efficiency by means of departmental task analysis, lean management tutorship and problem solving, lean management week and annual performance evaluation and award etc.. Within the reporting period, the Company carried out 52 lean management tasks, improved 5,849 proposals, increased the participation rate to 79.09% and created a value of RMB15.9 million.

The company has always promoted the integration of IT application with industrialization, including informationization driving industrialization and industrialization promoting informationization in order to realize the organic integration of information system with production system and production energy consumption analysis. With the establishment of EMS energy management system information platform and MES production implementation system as the supporting project, the company has successfully established the management system for the integration of IT application with industrialization, which has been verified.

4. Implement Performance Appraisal Reform For Improvement in Overall Efficiency

In order to fulfill the annual operation objective and improve the operation efficiency, the company has implemented corresponding evaluation reform in line with the actual production & operation situation. However, new performance evaluation system will focus on the completion of various tasks related to output and sales, and then evaluate the fulfillment of key departmental tasks so as to make sure that all employees can focus their forces to accomplish tasks by making concerted effort and keep materializing corresponding operation target in a persistent way.

II Analysis of Main Business

1. Overview

See “I Overview” in “Performance Discussion and Analysis”.

2. Revenues and Costs

(1) Breakdown of Operating Revenues

Unit: RMB

	2017	2016	+/-%
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	Amount	As a percentage of operating revenues (%)	Amount	As a percentage of operating revenues (%)	
Total of operating revenues	3,583,157,646.37	100%	3,607,758,904.01	100%	-0.68%
By business segment					
Industry	3,387,712,195.06	94.55%	3,063,791,535.10	84.92%	10.57%
Other	195,445,451.31	5.45%	543,967,368.91	15.08%	-64.07%
By product					
White cardboard	2,788,623,257.46	77.83%	2,622,125,437.41	72.68%	6.35%
Presswork	255,573,322.07	7.13%	262,692,818.33	7.28%	-2.71%
Latex	343,515,615.53	9.59%	178,973,279.36	4.96%	91.94%
Other	195,445,451.31	5.45%	543,967,368.91	15.08%	-64.07%
By geographical segment					
China	3,105,722,094.04	86.68%	3,036,805,755.82	84.17%	2.27%
Overseas	477,435,552.33	13.32%	570,953,148.19	15.83%	-16.38%

(2) Business Segments, Products or Geographical Segments Contributing over 10% of the Operating Revenues or Profit

√ Applicable □ Not applicable

Is the Company subject to any disclosure requirements for special industries?

No.

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Operating revenue: YoY +/-%	Operating cost: YoY +/-%	Gross profit margin: YoY +/-%
By business segment						
Industry	3,387,712,195.06	2,948,469,093.13	12.97%	10.57%	14.93%	Down 3.3 percentage points
By product						
White cardboard	2,788,623,257.46	2,440,020,977.87	12.50%	6.35%	11.55%	Down 4.08 percentage points
Presswork	255,573,322.07	218,608,477.34	14.46%	-2.71%	0.11%	Down 2.41 percentage points
Latex	343,515,615.53	289,839,637.92	15.63%	91.94%	81.60%	Up 4.81 percentage points

By geographical segment						
China	2,910,276,642.73	2,497,855,659.76	14.17%	12.19%	16.32%	Down 3.05 percentage points
Overseas	477,435,552.33	450,613,433.37	5.62%	1.62%	7.79%	Down 5.4 percentage points

Main business data of the prior year restated according to the changed statistical caliber for this Reporting Period

☐ Applicable ☒ Not applicable

(3) Whether Revenue from Physical Sales is Higher than Service Revenue

☒ Yes ☐ No

Business segment	Item	Unit	2017	2016	+/-%
Paper-making	Sales volume	0,000 tons	47.31	46.3	2.18%
	Output volume	0,000 tons	44.61	45.91	-2.83%
	Inventory	0,000 tons	3.77	6.71	-43.82%

Reason for any over 30% YoY movements in the data above

☒ Applicable ☐ Not applicable

The sales market of white cardboard industry improved this year, and the sales volume increased, decreasing the inventory.

(4) Execution Progress of Major Signed Sales Contracts in this Reporting Period

☐ Applicable ☒ Not applicable

(5) Breakdown of Operating Costs

By business segment and product

Unit: RMB

Business segment	Item	2017		2016		+/-%
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Industry		2,948,469,093.13	94.86%	2,565,346,640.38	83.10%	14.93%
Other		159,896,380.04	5.14%	521,730,590.17	16.90%	-69.35%

Unit: RMB

Product	Item	2017		2016		+/-%
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
White cardboard		2,440,020,977.87	78.50%	2,187,372,839.10	70.86%	11.55%

Presswork		218,608,477.34	7.03%	218,370,022.14	7.07%	0.11%
Latex		289,839,637.92	9.32%	159,603,779.14	5.17%	81.60%
Other		159,896,380.04	5.14%	521,730,590.17	16.90%	-69.35%

Notes:

(6) Changes in the Scope of the Consolidated Financial Statements for this Reporting Period

√ Yes ☐ No

Foshan Hongta Liyan Material Technology Co., Ltd. was cancelled in the Reporting Period, no more included into the scope of the consolidated financial statements.

(7) Major Changes in the Business, Products or Services in this Reporting Period

☐ Applicable √ Not applicable

(8) Main Customers and Suppliers

Main customers

Total sales to top five customers (RMB)	593,889,276.87
Total sales to top five customers as a percentage of the total sales for this Reporting Period (%)	16.57%
Total sales to related parties among top five customers as a percentage of the total sales for this Reporting Period (%)	2.99%

Information about top five customers

No.	Customer	Sales amount (RMB)	As a percentage of the total sales for this Reporting Period (%)
1	Customer A	168,782,353.27	4.71%
2	Customer B	108,546,766.74	3.03%
3	Customer C	107,280,875.89	2.99%
4	Guangzhou Chenhui Paper Co., Ltd	107,144,946.76	2.99%
5	Customer E	102,134,334.21	2.85%
Total	--	593,889,276.87	16.57%

Other information about the main customers

☐ Applicable √ Not applicable

Main suppliers

Total purchases from top five suppliers (RMB)	1,384,912,382.26
Total purchases from top five suppliers as a percentage of	50.31%

the total purchases for this Reporting Period (%)	
Total purchases from related parties among top five suppliers as a percentage of the total purchases for this Reporting Period (%)	7.01%

Information about top five suppliers

No.	Supplier	Purchase amount (RMB)	As a percentage of the total purchases for this Reporting Period (%)
1	Supplier A	439,498,613.78	15.97%
2	Supplier B	288,989,675.01	10.50%
3	Supplier C	259,355,160.27	9.42%
4	Supplier D	204,119,903.12	7.42%
5	China Paper Corporation	192,949,030.08	7.01%
Total	--	1,384,912,382.26	50.31%

Other information about the main suppliers

☐ Applicable ☒ Not applicable

3. Expense

Unit: RMB

	2017	2016	+/-%	Reason for any significant change
Selling expenses	182,923,723.55	181,963,908.31	0.53%	
Administrative expenses	125,476,808.28	121,123,804.25	3.59%	
Finance costs	121,627,924.65	83,749,628.37	45.23%	Amount incurred of finance costs in this Reporting Period increased 45.23% from the period earlier, mainly due to the increase of exchange loss and interest revenue from loans to financial institutions in this Reporting Period.

4. R&D Input

☒ Applicable ☐ Not applicable

In 2017, the Company continued to intensify product structure adjustment, strengthen technological innovation, and develop new products to transform into new generation according to the situation of domestic economy and industrial development, based on market needs, with the purpose of improving the added value of products. The product structure of the Company was further upgraded towards high-end and high added value products to enhance the market competitiveness of the products and facilitate the significant improvement of economic benefit. The Company continued to lead the development of ivory board industry with product quality and technological innovation.

At the same time, the Company continued to improve product quality and reduce costs through research and development of new raw and auxiliary materials instead and innovation of process and technology. As a result, the production and manufacturing cost was controlled effectively and significant economic benefits were achieved.

By the end of the Reporting Period, the Company has obtained 40 valid authorized patents through technological innovation and development, 23 of which were patents for invention, and the rest 17 were utility model; 16 patents in the process of application, where there were 11 patents for invention in the process of application and 5 utility model in the process of application, improved products' comprehensive competitiveness of the Company.

Information about R&D input:

	2017	2016	+/-%
Number of R&D personnel	143	140	2.14%
R&D personnel as a percentage in the total employees	7.34%	6.56%	0.78%
R&D input (RMB)	113,827,129.75	138,434,078.44	-17.78%
R&D input as a percentage in operating revenues	3.18%	3.84%	-0.66%
Capitalized R&D input (RMB)	19,038,707.23	14,436,073.39	31.88%
Capitalized R&D input as a percentage in the total R&D input	16.73%	10.84%	5.89%

Reasons for any significant YoY change in the percentage of the R&D input in the operating revenues

☐ Applicable ☒ Not applicable

Reason for any sharp variation in the percentage of the capitalized R&D input and rationale

☒ Applicable ☐ Not applicable

Capitalized R&D input is exceptional, and subsidiaries of the Company, Hongta Renheng and Zhuhai Huafeng, had accounting treatment of capitalization to R&D input which was recognized could be capitalized in the development stage according to the actual conditions of it.

5. Cash Flows

Unit: RMB

Item	2017	2016	+/-%
Subtotal of cash inflows from operating activities	3,567,651,148.89	3,374,196,669.68	5.73%
Subtotal of cash outflows from operating activities	3,604,425,869.97	2,965,085,558.60	21.56%
Net cash flows from operating activities	-36,774,721.08	409,111,111.08	-108.99%
Subtotal of cash inflows from investing activities	784,800,787.88	141,570,155.66	454.35%
Subtotal of cash outflows from investing activities	431,123,041.42	284,441,479.47	51.57%

Net cash flows from investing activities	353,677,746.46	-142,871,323.81	347.55%
Subtotal of cash inflows from financing activities	1,817,952,730.48	1,595,506,545.27	13.94%
Subtotal of cash outflows from financing activities	2,227,191,111.64	1,692,755,938.46	31.57%
Net cash flows from financing activities	-409,238,381.16	-97,249,393.19	-320.81%
Net increase in cash and cash equivalents	-102,851,789.07	171,143,376.58	-160.10%

Explanation of why the data above varied significantly

☒ Applicable ☐ Not applicable

1. Net cash flows from operating activities decreased 108.99% from last year mainly due to the increase of the advance payment and unit price of raw materials purchase and the influences of exchange rate in the Reporting period, resulting in a RMB668 million increase in the cash paid for raw materials.
2. Net cash flows from investing activities increased 347.55% from last year mainly because RMB516 million loans to Foshan Chengtong and its interests were taken back in the Reporting period.
3. Net cash flows from financing activities decreased 320.81% from last year mainly due to the RMB846 million payments of “12HBZ” for principal and interests.
4. Due to the effects of operating, investing and financing activities combined, net increase in cash and cash equivalents decreased 160.1% from last year.

Reason for any big difference between the net operating cash flow and the net profit for this Reporting Period

☐ Applicable ☒ Not applicable

III Analysis of Non-core Business

☒ Applicable ☐ Not applicable

Unit: RMB

	Amount	As a percentage of total profit (%)	Source/reason	Recurring or not
Investment income	34,641,907.00	92.63%	Income from long-term equity investment (associated enterprise) measured at the equity method and disposal of financial assets measured at fair value, and the income obtained during the holding period of available-for-sale financial assets.	Yes

Profit/Loss on fair value changes	-3,966,220.91	-10.60%	Fair value of the closing floating interest revenue receivable from the bank structured deposit products purchased, and the fair value of exchange rate changes of forward forex exchange	No
Asset impairment	4,710,223.15	12.59%	Bad debt and inventory falling price provisions	No
Non-operating revenue	4,412,955.57	11.80%	Wastes and compensation income	No
Non-operating expense	29,256,836.85	78.23%	Loss on work stoppage of subsidiaries for typhoon	No
Assets disposal income	689,820.93	1.84%	Gains/losses of fixed assets disposal	No
Other income	13,791,511.79	36.88%	Governmental subsidy	No

IV Analysis of Assets and Liabilities

1. Significant Changes in the Asset Composition

Unit: RMB

	December 31, 2017		December 31, 2016		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	287,652,868.65	5.30%	533,995,466.41	8.64%	Down 3.34 percentage points	
Accounts receivable	730,130,223.06	13.46%	826,164,986.19	13.36%	0.10%	
Inventories	586,179,348.11	10.80%	612,236,732.80	9.90%	0.90%	
Investment property	32,092,356.29	0.59%	24,593,743.71	0.40%	0.19%	
Long-term equity investments	8,294,365.17	0.15%	252,775,695.55	4.09%	-3.94%	
Fixed assets	2,302,301,389.	42.43%	2,451,794,797.	39.66%	2.77%	

	40		91			
Construction in progress	39,315,774.19	0.72%	23,927,727.82	0.39%	0.33%	
Short-term borrowings	897,426,244.52	16.54%	821,900,000.00	13.29%	3.25%	
Long-term borrowings	200,000,000.00	3.69%			3.69%	
Available-for-sale financial assets	627,643,841.04	11.57%	288,700.00	0.00%	11.57%	The shareholding ratio of the Company to Chengtong Finance decreased from 20% to 10% after Chengtong Finance increasing in capital and share in the Reporting Period with no control, joint control and significant influences. The Company converted the long-term equity investment to Chengtong Finance into available-for-sale financial assets measured by cost method instead.

2. Assets and Liabilities Measured at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Profit/loss on fair value changes in this Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in this Reporting Period	Purchased in this Reporting Period	Sold in this Reporting Period	Closing balance
Financial assets							
1. Financial assets at fair value through profit/loss (excluding derivative financial assets)	1,571,341.66	-1,571,341.66					0.00
2. Available-for-sale financial assets	288,700.00	627,355,141.04					627,643,841.04
Subtotal of financial assets	1,860,041.66	625,783,799.38					627,643,841.04

Total of the above	1,860,041.66	625,783,799.38					627,643,841.04
Financial liabilities	0.00	2,394,879.25					2,394,879.25

Significant changes in the measurement attributes of the main assets in this Reporting Period

☒ Yes ☐ No

Reasons and influences:

In the Reporting Period, the former joint venture of the Company, Chengtong Finance, increased RMB4 billion registered capital, among which the Company actually contributed RMB396 million for increasing 0.3 billion shares with RMB1.32 every share. The shareholding ratio of the Company to Chengtong Finance decreased from 20% to 10% after capital increase with no control, joint control and significant influences. The Company converted the long-term equity investment to Chengtong Finance into available-for-sale financial assets measured by cost method instead.

3. Restricted Asset Rights as of the End of this Reporting Period

RMB104.5779 million of total assets of the Company was restricted, of which restricted monetary fund was RMB33.4009 million (deposits mostly); restricted notes receivable was RMB70.177 million (pledge of bills) ; and RMB1million of other current assets was restricted.

V Investments Made

1. Total Investments Made

☐ Applicable ☒ Not applicable

2. Significant Equity Investments Made in this Reporting Period

☒ Applicable ☐ Not applicable

Unit: RMB

Investee	Main businesses	Way of investment	Amount of investment	The Company's shareholding percentage	Source of investment funds	Partners	Term of investment	Type of investee's products	Progress as of balance sheet date	Projected earnings	Gain/loss for Reporting Period	Lawsuits involved	Disclosure date (if any)	Index to disclosed information (if any)
Chengtong Finance	Financial service	Capital increase	396,000,000.00	10.00%	Self-owned funds	China Chengtong and its subsidiaries	Long-term	Available-for-sale financial assets	Finished	24,000,000.00 yuan/year	29,054,883.92	No	07/05/2017	http://www.cninfo.com.cn/cninfo-new/disclosure/s

														zse_main/bulletin_detail/true/1203681816?announceTime=2017-07-05
Total	--	--	396,000,000.00	--	--	--	--	--	--	24,000,000.00	29,054,883.92	--	--	--

3. Significant Non-equity Investments Ongoing in this Reporting Period

☐ Applicable ☒ Not applicable

4. Financial Investments

(1) Securities Investments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

(2) Investment in Derivative Financial Instruments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

5. Use of Funds Raised

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

VII Main Controlled and Joint Stock Companies

☒ Applicable ☐ Not applicable

Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profit

Unit: RMB

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Zhuhai Hongta Renheng Packaging Co., Ltd. (consolidated)	Subsidiary	High-grade coated white cardboard, latex and calcium carbonate	600,000,000.00	4,408,199,179.76	2,786,616,275.93	3,320,528,760.26	43,911,441.86	17,181,492.24
Zhuhai Hongta Renheng Packaging Co., Ltd. (alone)	Subsidiary	High-grade coated white cardboard	600,000,000.00	3,836,930,481.81	2,684,973,894.60	2,097,249,470.84	-7,063,314.71	-11,673,298.65
Zhuhai Huafeng Paper Co., Ltd.	Subsidiary	High-grade coated white cardboard	984,559,331.06	2,436,315,753.16	1,049,909,481.66	2,023,953,764.97	21,786,762.72	5,649,731.87
Zhuhai Golden Pheasant Chemical Co., Ltd.	Subsidiary	Latex and calcium carbonate	69,271,940.00	310,849,868.70	174,021,100.40	456,868,212.97	39,186,890.22	33,051,490.17
Huaxin (Foshan) Color Printing Co., Ltd. (Monomer)	Subsidiary	Color packaging printing	96,895,605.14	416,363,780.66	214,629,279.28	270,168,510.73	2,103,647.44	2,032,919.49

Subsidiaries obtained or disposed in this Reporting Period

☒ Applicable ☐ Not applicable

Name	Way	Influence on overall production and operation and the performance
Foshan Hongta Liyan Material Technology Co., Ltd.	Cancelled in this Reporting Period	No

Information about the main controlled and joint stock companies

During the reporting period, affected by the enhancement of industry prosperity, the price of ivory board produced and sold by subsidiaries HongtaRenheng and Zhuhai Huafeng increased to some extent, however, affected by the dramatic increase of the price of raw materials, the gross profit rate of ivory board product decreased greatly compared to the same period of last year; besides, the production safety accident that occurred in the site area of subsidiary Zhuhai Huafeng on March 4, 2017 and the attack of Typhoon Hatoon the subsidiary in Zhuhai City on August 23 also had some negative impact on the daily production and operation of the company, causing a large decline in the profit.

VIII Structured Bodies Controlled by the Company

☐ Applicable ☒ Not applicable

IX Outlook for the Future Development of the Company

(i) Industry competition structure and development trend

On the macro level, affected by supply-side reform and increasingly stringent environmental policies, outdated capacity is further eliminated and the market environment of paper making industry is improved. The enhancement of industry prosperity and the change of relation of market supply and demand caused the increase of demand for various paper products. All of these drove up the price of paper raw materials.

The investigation report shows that, compound annual growth rate of domestic ivory board industry will reach about 5.5% in next few years, but the growth trend of subdivided paper grades is expected to present differentiation. The annual average growth rate of food packaging board is about 7%; the annual average growth rate of liquid paper is about 5%; the annual average growth rate of social ivory board in cosmetics and personal care field is about 9%; the annual average growth rate of social ivory board in medicines and health products field is about 6%; by contrast, with the tobacco industry's entering the downlink stage of its development cycle, it is expected that the annual growth rate of cigarette box board packaging market will drop at an average annual rate of 2% by 2030. Therefore, under the pressure of high cost, the price of ivory board is expected to run in a relatively high range.

(ii) Development strategy

Looking into the future, the company will grasp the opportunity that China Chengtong becomes a capital operation company pilot, make full use of its advantages based on the strategic development planning for China's paper industry and the practical situation of the company, extend and develop towards the depth of the industry chain and relevant fields by seeking resources that can be taken over from the capital operation platform and through specialized and market-oriented acquisition and reorganization, improve its capacity for design, R&D, manufacturing and whole service of high-end paper packaging materials, and eventually achieve its transformation and upgrading from traditional paper making industry to "packaging material field", make the packaging material industry better, stronger and bigger, and become a first-class provider of green and environmental protection packaging materials and packaging solutions which integrates design, manufacturing and service.

(iii) Operation and management thought in 2018

1. Take "Three-Reduce and One-Increase" as the objective and take "Strict, Fact, Clear, Fast" as the starting point

(1) Reduce the balance of accounts receivable by strengthening communication and cooperation with the customer; strengthen the control of loss in the production process by lean production; further reduce the cost by means such as technological innovation.

(2) By optimizing the operation of the planned operation center, perform unified and coordinated management of the full processes of sales, production, shipment and purchase, achieve information coordination, staff coordination, clearly defined rights and responsibilities and concerted action, and improve the operation and management efficiency of the enterprise from the dimension of whole supply chain.

2. Implement technological innovation strategy, and renovate technological innovation leading

Integrate the technological resources and forces of the company, develop a flexible and market-oriented incentive mechanism for innovation and motivate the source power of scientific and technical personnel for technological innovation so as to achieve a new breakthrough of product quality and product innovation and make the product and technology innovation of the company lead industrial development.

3. Optimize organization structure, and implement process reengineering

(1) Plan to implement pressure reduction layer by layer and achieve organization structure flattening through organization structure integration. Focus on the performance of personnel in core zone, optimize personnel structure and promote personnel efficiency.

(2) Fully comb all processes, clarify the time node of each process, give proper authorization, simplify the approval link, improve process efficiency; strictly execute the system of rewards and penalties, promote decision enforcement efficiency and build a quick response execution culture.

4. Promote incentive mechanism reform, and activate new driving force for development

(1) Reinforce and advance the establishment of a system for rating assessment and employment of professional, technical and skilled talents, recognize the professional ability of employees, provide multipath career development channel in addition to management position to competent "skilled" and "technical" talents with good performance, conduct an overall employment mechanism that help attract, retain and encourage talents.

(2) Based on merit points management method, explore and establish a lean merit points management mode and focus on unified power, responsibility and interest so as to meet the need for further exploration of lean work, enhance employees' sense of gains from lean work and improve their passion for work, and facilitate the creation of benefits from lean work.

5. Carry forward informatization continuously, and optimize supply chain data integration

Keep up with the development of big data and cloud computing era, further promote the "integration of informatization and industrialization", further integrate supply chain data based on MES manufacturing execution system, order assessment system and report system, open up the digital management channel for the whole process of production and operation, achieve digital management of the whole process, and provide digital support for making management decision.

X Visits Paid to the Company for Purposes of Research, Communication, Interview, etc.

1. In this Reporting Period

√ Applicable □ Not applicable

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
01/10/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading
01/20/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading
02/20/2017	Telephone communication	Individual	Inquired the time for resumption of

			trading
02/22/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading
02/22/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading
02/23/2017	Telephone communication	Individual	Inquired the details of significant events content, the progress of the significant events and the time for resumption of trading suggesting accelerating the progress.
02/23/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading
02/24/2017	Telephone communication	Individual	Suspended for so long, urging to resume trading as soon as possible.
02/24/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading
02/24/2017	Telephone communication	Individual	Suspended for 2 years, Inquired the progress of the significant events
02/27/2017	Telephone communication	Individual	Suspended for so long, urging to resume trading as soon as possible.
03/01/2017	Telephone communication	Individual	Inquired the progress of the significant events and production operation and the time for resumption of trading
03/06/2017	Telephone communication	Individual	Inquired the progress of the significant events, hoping to resume as soon as possible
03/07/2017	Telephone communication	Individual	Inquired the progress of the significant events, hoping to make a plan as soon as possible to guarantee the interests of minority shareholders.
03/08/2017	Telephone communication	Individual	Hoping to make more efforts to complete the share reform. If it succeeds, then it is ok for long time delisting.
03/28/2017	Telephone communication	Individual	Inquired the progress of the significant events, suggesting resuming as soon as possible.

03/30/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading
04/06/2017	Telephone communication	Individual	Long time for delisting of Company's stock, hoping there are some new contents and suggesting accelerating the progress.
04/06/2017	Telephone communication	Individual	Inquired the time for resumption of trading
04/06/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading, hoping to resume as soon as possible
04/07/2017	Telephone communication	Individual	Suspended for so long, hoping to resume trading as soon as possible.
04/11/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading, hoping to sit in on the General Meeting of Shareholders.
04/14/2017	Telephone communication	Individual	Hoping to resume trading as soon as possible.
04/18/2017	Telephone communication	Individual	Hoping to accelerate the progress of significant events.
04/21/2017	Telephone communication	Individual	Hoping to accelerate the progress of significant events, and be responsible for investors.
05/02/2017	Telephone communication	Individual	hoping the Company's stock to resume as soon as possible
05/02/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading, hoping to resume as soon as possible
05/02/2017	Telephone communication	Individual	Hoping to accelerate the progress of significant events
05/04/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading
05/09/2017	Telephone communication	Individual	Suspended for so long, hoping to resume trading as soon as possible.
05/12/2017	Telephone communication	Individual	Inquired the progress of the significant

			events and the time for resumption of trading, hoping to accelerate the progress.
05/16/2017	Telephone communication	Individual	Hoping for new messages about progress announcement of significant events
05/17/2017	Telephone communication	Individual	The delisting of Company's stock resulted into their interests losses, hoping to resume trading as soon as possible.
05/18/2017	Telephone communication	Individual	Hoping to accelerate the progress of significant events
05/22/2017	Telephone communication	Institution	Inquired the progress of the significant events and the time for resumption of trading
05/23/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading, Hoping to accelerate the progress.
05/23/2017	Telephone communication	Individual	Suspended for so long, hoping to resume trading as soon as possible.
05/26/2017	Telephone communication	Individual	Hoping to accelerate the progress of significant events, and resume trading as soon as possible.
06/01/2017	Telephone communication	Individual	Inquired the operation of the Company, hoping to accelerate the progress of significant events to resume trading.
06/02/2017	Telephone communication	Individual	Suspended for so long, hoping to resume trading as soon as possible.
06/02/2017	Telephone communication	Individual	Suggesting choosing suitable time to resume trading to avoid dramatic fall in share price.
06/06/2017	Telephone communication	Individual	Suggesting resume trading no matter whether or not the events of the Company can succeed.
06/07/2017	Telephone communication	Individual	Suspended for so long, hoping to resume trading as soon as possible.
06/08/2017	Telephone communication	Individual	Inquired the progress of the significant events and the time for resumption of trading, hoping to resume trading as soon as possible.
06/13/2017	Telephone communication	Individual	Long time for delisting of Company's

			stock, hoping there are some new contents and suggesting accelerating the progress and resume trading as soon as possible.
06/14/2017	Telephone communication	Individual	Inquired the operation of the Company and the progress of the significant events, Hoping to accelerate the progress.
06/21/2017	Telephone communication	Individual	Hoping there are some new contents on the Progress Announcement of Significant Events of the Company.
06/30/2017	Field research	Individual	The progress of the significant events and the time for resumption of trading, and the operation of the Company, hoping to accelerate the progress and resume trading as soon as possible.
07/04/2017	Telephone communication	Individual	Inquired the time for resumption of trading, hoping to announce the progress of the significant events.
07/17/2017	Telephone communication	Individual	Inquired the time for resumption of trading, requiring accelerate the progress and announce the progress of the events.
07/27/2017	Telephone communication	Individual	Inquired the time for resumption of trading, suggesting announcing the details of the significant events contents.
07/31/2017	Telephone communication	Individual	Inquired the time for resumption of trading, hoping the Company to give the investors a satisfactory answer as soon as possible.
07/31/2017	Telephone communication	Individual	Inquired the time for resumption of trading. Requiring the Company to give the investors a satisfactory answer as soon as possible for delisting for 2 years,
08/01/2017	Telephone communication	Individual	Inquired the progress of the significant events. Hoping to resume trading as soon as possible for delisting for so long and losses of capital interests.
08/09/2017	Telephone communication	Individual	Inquired the time for resumption of trading, hoping to resume as soon as possible
08/17/2017	Telephone communication	Individual	Inquired the progress of the significant

			events, hoping there are introduction of actual situations on the Progress Announcement, suggesting accelerating the progress and resume trading as soon as possible.
08/21/2017	Telephone communication	Individual	The stock of the Company suspended at high price for over 2 years, resume trading now with no turnover, damaging the interests of investors
08/21/2017	Telephone communication	Individual	The stock of the Company suspended at high price for over 2 years, and the market value decreases dramatically when resume trading now, suffering great losses. Hoping to know the thoughts and plan after the resumption.
08/21/2017	Telephone communication	Individual	The stock of the Company was at limit down after resumption with great losses. Worrying about continuing to be at it, investors want to know the next step of the Company
08/21/2017	Telephone communication	Individual	Inquired new thoughts and plan after the resumption.
08/22/2017	Telephone communication	Individual	The stock continues to be at limit down after resumption, the investors hope to know the future plan of the Company.
08/23/2017	Telephone communication	Individual	The stock continues to be at limit down after resumption. Is it possible to sell the stock and get back the capital?
08/24/2017	Telephone communication	Individual	The stock continues to be at limit down, resulting in great losses. Hoping to know whether there were any solutions to the limit down, any good news about stopping the stock falling.
08/25/2017	Telephone communication	Individual	The stock continues to be at limit down after resumption resulting in great losses, hoping the Company to be responsible for the investors and making positive announcement.
08/28/2017	Telephone communication	Individual	The stock of the Company relisted abruptly, and the price was at limit down, resulting great losses. Hoping the Company can give an explanation of the

			significant events to investors.
08/29/2017	Telephone communication	Individual	The stock was at limit down for 6 days after stock resumption, resulting in great losses. Hoping to know whether there were specific ways for bailout.
09/04/2017	Telephone communication	Individual	Inquired the reasons for continuously falling of stock and the operation of the Company.
09/07/2017	Telephone communication	Individual	Inquired the capital operation ideas and development thoughts after resumption, suggesting exploiting emerging industry projects.
09/07/2017	Field research	Individual	Inquired the future capital operation plan, hoping the Company can make a good scheme of capital operation as soon as possible.
11/01/2017	Field research	Individual	Inquired news of capital operation, hoping the Company can announce the capital operation information to investors timely.
11/03/2017	Telephone communication	Individual	Suggested the Company taking experiences of other B share company for reference, and looking for supports from all parties positively to carry forward the capital operation continuously.
12/05/2017	Telephone communication	Individual	Inquired the reasons for low prices of the stock, and whether the Company should continue the share reform of B to A.
12/25/017	Field research	Individual	Inquired of the operation of the Company, and hope there were some good announcements, suggesting the Company continue to make more efforts for the exploration of reconstructing the stock right .
Times of visit		73	
Number of visiting institutions		1	
Number of visiting individuals		72	
Number of other visitors		0	
Significant undisclosed information disclosed,		No	

revealed or leaked	
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Part V Significant Events

I Profit Distribution and Converting Capital Reserve into Share Capital for Common Shareholders

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, for common shareholders in this Reporting Period

√ Applicable □ Not applicable

During the Reporting Period, the Company carried out the 2016 annual profit distribution plan (based on the total share capital on December 31, 2016, a cash dividend of RMB0.32 (tax included) for every 10 shares to all the shareholders) reviewed and approved at the 2016 Annual General Meeting.

Special statement about cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors fulfilled their responsibilities and played their due role.	Yes
Minority interests have the chance to fully express their opinion and desire and their legal rights and interests were fully protected.	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with applicable regulations and transparent.	No adjustments or alterations

Plans/proposals for profit distribution and converting capital reserve into share capital for common shareholders for the past three years (including this Reporting Period):

2017 profit distribution proposal: As approved at the second meeting of the seventh Board in 2018, based on the total shares of the Company as of December 31, 2017, it is proposed that a dividend of RMB0.18 (tax inclusive) per 10 shares should be distributed to all shareholders of the Company.

2016 profit distribution plan: Based on the total shares of the Company as of December 31, 2016, a dividend of RMB0.32 (tax inclusive) per 10 shares would be distributed to all shareholders of the Company.

2015 profit distribution plan: Based on the total shares of the Company as of December 31, 2015, a dividend of RMB0.38 (tax inclusive) per 10 shares would be distributed to all shareholders of the Company.

Cash dividend distribution of the Company to common shareholders over the past three years (including this Reporting Period)

Unit: RMB

Year	Cash dividends (tax included)	Net profit attributable to common shareholders of the	Proportion in net profit attributable to common shareholders of the	Cash dividends in other forms	Ratio of cash dividends in other forms
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		Company in the consolidated statements for the year	Company in the consolidated statements for the year (%)		
2017	9,097,650.00	18,637,865.97	48.81%	0.00	0.00%
2016	16,173,600.00	61,324,088.11	26.37%	0.00	0.00%
2015	19,206,150.00	133,094,696.66	14.43%	0.00	0.00%

Indicate by tick mark whether the Company made profit in this Reporting Period and the profit distributable to common shareholders of the Company was positive, but it did not put forward a proposal for cash dividend distribution to its common shareholders

☐ Applicable ☒ Not applicable

II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for this Reporting Period

☒ Applicable ☐ Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	0.18
Total shares as the basis for the profit distribution proposal (share)	505,425,000
Total cash dividends (RMB) (tax included)	9,097,650.00
Distributable profit (RMB)	21,351,408.97
Percentage of cash dividends in the total profit to be distributed (%)	42.61%
Cash dividend policy	
If the development stage of the Company belongs to the mature period without any significant assets expenditure arrangement, when executing the profits distribution, the ratio of the cash dividend to the profits distribution of the Reporting Period should at least reach 20%.	
Details about the proposal for profit distribution and converting capital reserve into share capital	
Based on the total shares of the Company as of December 31, 2017, it is proposed that a dividend of RMB0.18 (tax inclusive) per 10 shares should be distributed to all shareholders of the Company; and that no capital reserve should be converted into share capital, nor should any bonus shares be granted.	

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and other Commitment Makers, Fulfilled in this Reporting Period or ongoing at the Period-end

☒ Applicable ☐ Not applicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes	China Paper Corporation		In order to avoid potential horizontal competition, China Supplies Development Investment Corporation (has changed its name to “China Paper Corporation”) made the following commitment: 1. The Company and the Company’s wholly owned and controlling companies ensured that there is no same or similar business with Foshan Huaxin Packaging Co., Ltd. 2. The Company and the Company’s wholly owned and	06/28/2005	Long-term	Normal performance

			controlling companies ensured that there is no same or similar business with Foshan Huaxin Packaging Co., Ltd.; The Company and the Company's wholly owned and controlling companies will not self-run no same or similar business with Foshan Huaxin Packaging Co., Ltd.; not self-run any similar projects constitute a direct competition with Foshan Huaxin Packaging Co., Ltd.; nor any method of investment business constituted or may constituted competition			
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			with Foshan Huaxin Packaging Co., Ltd. thus ensure to avoid any direct or indirect business competition to the production and operation of Foshan Huaxin Packaging Co., Ltd..			
Commitments made in time of asset restructuring	Singapore Renheng Industry Co., Ltd.; Yunnan Hongta Group Co., Ltd.,(both are not the shareholders of the Company)		For defective real estate failing to obtain the drawbacks of the ownership certificate, Hongta Group Co., Ltd., and Yanlord Industries Pte. Ltd. committed that: if a third party claim, such as right, housing demolition any lead to Hongta Group Co., Ltd., can not normally possess, utilize, profit from and dispose of defective (real estate),	10/29/2012	Long-term	Long-term commitment belonging to need trigger conditions

			Hongta Group Co., Ltd., and Yanlord Industries Pte. Ltd. agreed to pay the compensation of suffered losses of Foshan Huaxin Packaging Co., Ltd and Long Bon International Co., Ltd. within 30 days from receiving notice of Foshan Huaxin Packaging Co., Ltd and Long Bon International Co., Ltd., the value of defect real estate was comprehensive determined according to the Rights and Interests of All Shareholders Value Assets Evaluation Report of Zhuhai Special Economic Zone Hongta Group Co., Ltd., issued by Zhongshang			
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			Assets Appraisal Co., Ltd. on 7 Nov. 2008 and used years and depreciation of real estate Compensation does not exceed the total assessment net value of the defective real estate of RMB 10,746,298.00 .			
Commitments made upon first issuance or refinance	Foshan Huaxin Development Co., Ltd.		Foshan Huaxin Development Co., Ltd. as the controlling shareholder of Foshan Huaxin Packaging Co., Ltd. (here in after referred to as "YHB" committed that Will not in any place within or outside of Guangdong province in any way (including, but not limited to, with individual proprietorship,	06/23/1999	Long-term	Normal performance

			joint venture or through another company hold the share or own equities to participate in similar business activities may directly form competition with YHB at that time. Excepting as the subsequent restructuring, transfer, newly issuance, etc., Foshan Huaxin Development Co., Ltd. no long effectively control YHB.			
Commitment on equity incentive						
Other commitments made to minority shareholders	Foshan Huaxin Packaging Co., Ltd.		The Company future the next three years (2015-2017) the specific returns planning of shareholder: 1, the company can take the ways of cash, shares or cash combined to allocate dividends, can undertake	06/29/2015	08/31/2018	Normal performance

			metaphase cash dividends. 1, the Company can take cash, shares or combination of cash and share, with stock allocation of dividends, can undertake metaphase cash dividends. 2. The next three years, the Company will actively take cash distribution of profits. In accord with relevant laws, regulations and provisions of the Articles of Corporation and the system and conditions and the profit in the Company meet the capital demand of normal production and business operation and fully reserved legal accumulation			
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			fund and surplus accumulation, under such condition, if there is no major investment plan or major cash payments, etc, the next three years cumulative distribution of profits in cash will be not less than thirty percent of the average annual distributable profits realized in recent three years. 3, According to the actual situation of the Company and long-term sustainable development, the Board of Directors thought that when the profit allocation by stock dividend meets all the overall interests of shareholders,			
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			the Company can conduct stock dividend to distribute profit.			
	Foshan Huaxin Packaging Co., Ltd.		The Company future the next three years (2012-2014) the specific returns planning of shareholder: 1, the company can take the ways of cash, shares or cash combined to allocate dividends, can undertake metaphase cash dividends. 1, the Company can take cash, shares or combination of cash and share, with stock allocation of dividends, can undertake metaphase cash dividends. 2. The next three years, the Company will actively take cash distribution of profits. In	07/28/2012	08/31/2015	Had completed the performance

			accord with relevant laws, regulations and provisions of the Articles of Corporation and the system and conditions and the profit in the Company meet the capital demand of normal production and business operation and fully reserved legal accumulation fund and surplus accumulation, under such condition, if there is no major investment plan or major cash payments, etc, the next three years cumulative distribution of profits in cash will be not less than thirty percent of the average annual distributable profits			
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			realized in recent three years. 3, According to the actual situation of the Company and long-term sustainable development, the Board of Directors thought that when the profit allocation by stock dividend meets all the overall interests of shareholders, the Company can conduct stock dividend to distribute profit.			
Executed timely or not?	Yes					
If the commitments failed to complete the execution as expired, should specifically state the unfulfillment reasons and the work plan for the next step	N/A					

2. Where there had been an Earnings Forecast for an Asset or Project and this Reporting Period was still within the Forecast Period, eExplain why the Forecast has been Reached for this Reporting Period.

☐Applicable ☒ Not applicable

IV Occupation of the Company's Funds by the Controlling Shareholder or its Related Parties for Non-operating Purposes

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) regarding the “Auditor’s Non-standard Report” Issued by the CPAs Firm for this Reporting Period

☐ Applicable ☒ Not applicable

VI YoY Changes in Accounting Policies, Estimations and Methods

☒ Applicable ☐ Not applicable

On May 10, 2017, Ministry of Finance announced the revised The Accounting Standards for Enterprises No. 16 - Governmental Subsidies implemented from June 12, 2017, which requires companies to deal with the government subsidies that exist on January 1, 2017 by prospective application, and adjust the added government subsidies between January 1, 2017 and the implementation day of the rules in line with the revised rules.

The Company began to adopt the revised rules from June 12, 2017, and made adjustment to the government subsidies between January 1, 2017 and the implementation day of the rules according to the requirement of the new rules. Retroactive adjustment would not to be done to the transaction before January 1, 2017, nor did the financial statement in the period of comparison of 2017 financial statement.

VII Retroactive Restatement due to Correction of Material Accounting Errors in this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

VIII YoY Changes in the Scope of the Consolidated Financial Statements

☒ Applicable ☐ Not applicable

Foshan Hongta Liyan Material Technology Co., Ltd. has been cancelled during the Reporting Period, and has thus no longer been included in the consolidated financial statements.

IX Engagement and Disengagement of CPAs Firm

Current CPAs firm

Name of the domestic CPAs firm	Da Hua Certified Public Accountants (Special General Partnership)
The Company’s payment for the domestic CPAs firm (RMB’0,000)	97
Consecutive years of the audit service provided by the domestic CPAs firm	3
Names of the certified public accountants from the domestic CPAs firm	Chen Baohua, Zhou Lingzhi

Indicate by tick mark whether the CPAs firm was changed in this Reporting Period

☐ Yes ☒ No

CPAs firm, financial advisor or sponsor engaged for internal control audit

√ Applicable ☐ Not applicable

The Company engaged Da Hua Certified Public Accountants (Special General Partnership) as the internal control auditor for the Current Year and paid RMB0.3 million additionally for that.

X Possibility of Listing Suspension or Termination after Disclosure of this Report

☐ Applicable √ Not applicable

XI Bankruptcy and Restructuring

☐ Applicable √ Not applicable

No such cases in this Reporting Period.

XII Significant Litigations and Arbitrations

√ Applicable ☐ Not applicable

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB'0,000)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
A major production safety accident was caused by a flash burn when Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. (hereinafter referred to as "Jiangsu Tianxing") and Wuhan Kedio Electric Power Technology Co., Ltd. (hereinafter referred to as "Wuhan Kedio") carried out the maintenance of 120m chimney	1,116	No	The first trial was heard on November 20, 2017. All the four defendants proposed to suspend the hearing, and the judge agreed. The trial will be heard after the criminal case of the involved people in the above	Pending case	Pending case	03/06/2017	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203132688?announceTime=2017-03-06

anti-corrosion project for Zhuhai Huafeng, the holding subsidiary of the company, on March 4, 2017. Six construction workers of the construction company died in the accident. Zhuhai Huafeng paid a total compensation of RMB 11.16 million to relatives of the victims on March 7, 2017 for Jiangsu Tianxing and Wuhan Kedio in accordance with the requirements and under the supervision of the government. Zhuhai Huafeng applied to Zhuhai Jinwan District People's Court for property preservation before litigation on March 14, 2017. Zhuhai Huafeng applied to Zhuhai Jinwan District People's Court for recovery action in which Jiangsu Tianxing and Wuhan Kedio were taken as joint defendants on March 16, 2017. Then Wuhan Kedio applied to add Yancheng Xinda			accident is on trial.				
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High-Altitude Anti-Corrosion Co., Ltd. (hereinafter referred to as YanchengXinda) as a defendant and YanchengXinda applied to add Liu Jiechun as a defendant.							
Others	311.3	No	Execution phase	Pending case	Pending case		

XIII Punishments and Rectifications

√Applicable □ Not applicable

Name	Type	Reasons	Type of survey and punishment	Conclusion (if any)	Disclosure date	Index of disclosure
Zhuhai Huafeng Paper Co., Ltd.	Company	Not implementing effective safe production coordination and the management, illegally approving the high-place operation, illegally handling the work permits for the people to the factory to implement the project of chimney anticorrosion, responsible for Zhuhai “3•4” production safety accident	Administrative department, like Environment Protection, safety Supervision, Taxation, and etc, imposed severe administrative punishment.	Zhuhai Huafeng was fined by Zhuhai State Administration of Work Safety with administrative punishment. The penalty was paid on time.		
Ji Xiangdong	Director	Not comprehensively performing the	Administrative department, like Environment	Ji Xiangdong was fined by Zhuhai State		

		management duties of safety production, not discovering and eliminating accident potential timely and effectively.	Protection, safety Supervision, Taxation, and etc, imposed severe administrative punishment.	Administration of Work Safety with administrative punishment. The penalty was paid on time.		
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Notes for rectifications:

☒ Applicable ☐ Not applicable

Zhuhai Huafeng made comprehensive rectification to safety production management of the Company in the principle of accidents “four does not let off”, and employed third-party safety assessment organization to conduct the potential risks identification and status evaluation for the Company. Effective safe production coordination and the management were implemented with good results for the rectification work. It also passed the inspection for rectification with serious potential risks by Zhuhai Safety Production Supervision Authority who ordered to temporarily stop the production and the business.

XIV Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

☒ Applicable ☐ Not applicable

The controlling subsidiary of the Company, Zhuhai Huafeng Paper Co., Ltd, was included into the joint punishment blacklist for dishonesty of safety production on December 4, 2017 with 1 year of joint Punishment, because a larger liability accident of safety production happened in its factory on March 4, 2017. For details, see Announcement on the controlling subsidiary being included into the joint punishment blacklist for dishonesty of safety production (No. : 2018-002 http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1204320576?announceTime=2018-01-11%2011:48) disclosed by assigned information disclosure media on January 11, 2018.

XV Implementation of any Equity Incentive Plan, Employee Stock Ownership Plan or Other Incentive Measures for Employees

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XVI Significant Related-party Transactions

1. Related-party Transactions Relevant to Routine Operation

☒ Applicable ☐ Not applicable

Related transaction party	Relation with the Company	Type of transaction	Contents of transaction	Pricing principle	Transaction price	Transaction amount (RMB'0,000)	Proportion in total amounts of	Approved transaction on line (RMB'0	Over approved line or not	Mode of settlement	Obtainable market price for transaction	Disclosure date	Index to disclosed information
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							transacti ons of same kind	,000)			on of the same kind		tion
China Paper Corporati on	Actual controll er	Routine related transacti on	Purchasi ng raw material s	Being decided through negotiat ion based on the market value	Market value	19,294. 9	7.01%	100,608 .08	No	Transfer	-	03/28/2 017	http://w ww.cni nfo.co m.cn
Guangzho u Chenhui Paper Co., Ltd	A compan y controll ed by actual controll er independ ent director	Routine related transacti on	Selling products and raw material s	Being decided through negotiat ion based on the market value	Market value	10,714. 49	2.99%	10,714. 5	No	Transfer	-	03/17/2 018	http://w ww.cni nfo.co m.cn
Total				--	--	30,009. 39	--	111,322. 58	--	--	--	--	--
Details of any sales return of a large amount				N/A									
Give the actual situation in this Reporting Period (if any) where a forecast had been made for the total amounts of routine related-party transactions by type to occur in this Reporting Period				The related transaction of Guangzhou Chenhui Paper Co., Ltd has been submitted to Board of Directors for review, and brought to General Meeting of Shareholders for approval.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

2. Related-party Transactions Regarding Purchase or Sales of Assets or Equity Interests

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Related-party Transitions Regarding Joint Investments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

4. Credits and Liabilities with Related Parties

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

5. Other Significant Related-party Transactions

☒ Applicable ☐ Not applicable

The Board of Directors of the Company reviewed and approved the Agreement about Capital Increase to China Chengtong Finance Corporation Ltd during the Reporting Period. As Chengtong Finance increased in capital of and share, and increased the registered capital of RMB 4 billion yuan. The company subscribed 300 million shares, 1.32 yuan per share. Its actual investment is of RMB 396 million yuan. And the shareholding ratio of the Company decreased from 20% to 10% after the Company's capital increase.

Related index to disclosure website for interim report of significant related transactions

Name	Disclosure date	Disclosure website
Announcement about Capital Increase to China Chengtong Finance Corporation Ltd and Related Transaction	07/05/2017	http://www.cninfo.com.cn

XVII Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

(3) Leasing

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

2. Significant guarantees

√ Applicable □ Not applicable

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Zhuhai Hongta Renheng Packaging Co., Ltd.	02/12/2015	3,880	09/27/2017	3,620	Joint-liability	09/27/2017-03/13/2020	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	02/28/2017	20,000	02/28/2017	20,000	Joint-liability	02/28/2017-02/28/2019	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	05/24/2017	33,000	05/23/2017	19,000	Joint-liability	05/23/2017-05/22/2020	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	04/29/2016	20,000	03/01/2016	5,203	Joint-liability	03/01/2016-12/31/2019	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	07/05/2017	20,000	07/15/2017	19,971	Joint-liability	07/15/2017-07/15/2019	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	01/24/2017	10,000	02/24/2017	2,300	Joint-liability	02/24/2017-02/24/2018	No	Yes
Zhuhai Hongta Renheng Packaging	06/23/2017	10,000	07/28/2017	10,000	Joint-liability	07/28/2017-05/14/2018	No	Yes

Co., Ltd.								
Zhuhai Hongta Renheng Packaging Co., Ltd.	06/23/2017	10,000	09/12/2017	5,688	Joint-liability	09/12/2017-03/31/2019	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	05/24/2017	10,000	11/10/2017	4,175	Joint-liability	11/10/2017-11/09/2019	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	05/24/2017	10,000	11/13/2017	0	Joint-liability	11/13/2017-09/03/2018	No	Yes
Zhuhai Huafeng Paper Co., Ltd.	10/25/2016	35,000	10/29/2016	10,000	Joint-liability	10/29/2016-10/28/2019	No	Yes
Huaxin (Foshan) Color Printing Co., Ltd.	08/05/2016	6,000	01/01/2016	5,000	Joint-liability	01/01/2016-12/31/2020	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	01/24/2017	18,000	03/01/2017	9,977	Joint-liability	03/01/2017-10/28/2017	No	Yes
Huaxin (Foshan) Color Printing Co., Ltd.	08/05/2016	2,000	12/13/2016	2,000	Joint-liability	12/13/2016-10/23/2017	No	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	05/21/2014	33,000	05/07/2014	0	Joint-liability	05/07/2014-05/06/2017	Yes	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	02/19/2016	20,000	02/01/2016	0	Joint-liability	02/01/2016-01/21/2017	Yes	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	01/09/2016	10,000	01/14/2016	0	Joint-liability	01/14/2016-01/13/2017	Yes	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	04/29/2016	10,000	05/30/2016	0	Joint-liability	05/30/2016-02/02/2017	Yes	Yes
Zhuhai Hongta Renheng Packaging Co., Ltd.	04/29/2016	10,000	02/23/2017	0	Joint-liability	02/23/2017-04/29/2017	Yes	Yes
Total guarantee line for subsidiaries approved during this Reporting Period (B1)			280,000	Total actual guarantee amount for subsidiaries during this Reporting Period (B2)				207,880

Total approved guarantee line for subsidiaries at the end of this Reporting Period (B3)		280,000		Total actual guarantee balance for subsidiaries at the end of this Reporting Period (B4)		116,934		
Guarantees between subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Zhuhai Huafeng Paper Co., Ltd.	07/05/2017	15,000	12/31/2017	9,477	Joint-liability	12/31/2017-07/13/2018	No	Yes
Zhuhai Golden Pheasant Chemical Co., Ltd.	11/21/2015	10,000	08/31/2015	4,000	Joint-liability	08/31/2015-08/30/2018	No	Yes
Zhuhai Huafeng Paper Co.	02/28/2017	10,000	01/08/2017	10,000	Joint-liability	12/01/2016-10/28/2017	No	Yes
Zhuhai Huafeng Paper Co.	03/22/2016	20,000	07/08/2016	0	Joint-liability	07/08/2016-12/31/2017	Yes	Yes
Total guarantee line for subsidiaries approved during this Reporting Period (C1)		40,000		Total actual guarantee amount for subsidiaries during this Reporting Period (C2)		35,000		
Total approved guarantee line for subsidiaries at the end of this Reporting Period (C3)		40,000		Total actual guarantee balance for subsidiaries at the end of this Reporting Period (C4)		23,477		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during this Reporting Period (A1+B1+C1)		320,000		Total actual guarantee amount during this Reporting Period (A2+B2+C2)		242,880		
Total approved guarantee line at the end of this Reporting Period (A3+B3+C3)		320,000		Total actual guarantee balance at the end of this Reporting Period (A4+B4+C4)		140,411		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				70.81%				
Of which:								

Amount of guarantees provided for shareholders, the actual controller and their related parties (D)	0
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)	0
Portion of the total guarantee amount in excess of 50% of net assets (F)	41, 268
Total amount of the three kinds of guarantees above (D+E+F)	0

Composite guarantees:

(2) Illegal Provision of Guarantees for External Parties

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Entrusted Cash Management

(1) Entrusted Asset Management

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

(2) Entrusted Loans

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

4. Other Significant Contracts

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XVIII Social Responsibilities

1. Social Responsibilities Taken

The Company paid attention on the execution of the social responsibilities which exceeded the idea of regarding the profits as the sole target, so in the process of the production, operating and the business development, when creating the value for the shareholders, it took great efforts to achieve the mutual coordination between the economic efficiency, the social efficiency and the ecological efficiency, the short-term profits and the long-term profits, the self development and the society development by complying with the other appeal of the nation and devoting itself to the promotion of the comprehensive development of the society that to realize the healthy and harmonious development of between the Company and the employees, the Company and the society, the Company and

the environment.

The Company took the provider of the green environmental protection packaging materials and the packaging solving proposals as its mission, regarded the construction of the international first-class enterprise as the target, unshakably walked on the scientific innovation development path, constantly innovate the enterprise management, enhanced the products quality, enlarged the R&D strength of the new products, produced the packaging materials products with high quality and high-tech content that met with the production social demand, made great efforts to forge the excellent project of the national packaging materials brand and create the environmental protecting as well as high quality social wealth. When the Company was realizing the profits, should insist to share the development results with the society, try its best to pursuit the harmonious and unity with the social development, constantly promotes the development and progress of the society and the economy, so that to pay for and contribute to the society with green ecological development.

The Company devoted itself to the construction of the international first-class packaging materials enterprise possessed of green ecology and constantly development and as one of the major enterprises among the domestic papermaking, during the years' development, the Company always regard green ecology as the goal of survival and development and positively introduced and upgraded the high-efficient, energy-saving and environmental protection international high-end production equipment system for promoting the transformation and upgrade of the enterprise.

Since its foundation, the company has always paid attention to environmental protection and insisted on the path of sustainable development and has always been committed to controlling pollution, continuously improving environmental behavior and conscientiously fulfilling social responsibility. Subsidiaries Hongta Renheng and Zhuhai Huafeng have passed the quality, environment, occupational health and safety and food safety management certification and FSC/COC management system certification and gotten the certificates. Moreover, the products of subsidiaries Hongta Renheng and Zhuhai Huafeng have passed QS certification to ensure that products which conform to food safety requirements continuously and stably are supplied to consumers. Meanwhile, Hongta Renheng has won the title of "Environmental Protection and Integrity Enterprise" for successive years and has been awarded the green card "Five-Star Environmental Protection and Integrity Enterprise".

The Company has been fulfilling its social responsibility and insisting on building it into a green and environmental enterprise. Main energy saving and emission reduction and technical transformation projects completed in recent years include:

- (1) The subsidiary Hongta Renheng initially introduced the largest biomass solid moulding fuel energy saving and emission reduction project which fulfills the large scale transition of energy structure to clean energy and achieves "eco zero emission" and "low-carbon papermaking";
- (2) The subsidiaries Hongta Renheng and Zhuhai Huafeng set up the energy management center, passed the energy management system (GB/T23331-2009) certification, provided digital supporting platform tool for the company to achieve management energy saving;
- (3) Hongta Renheng completed the renovation of BM2 air compressor energy saving project via energy management contracting;
- (4) Zhuhai Huafeng completed the construction of reclaimed water reuse project, strengthened the reuse of recycled water, reduced water consumption, realized the energy saving and emission reduction project;
- (5) Zhuhai Huafeng completed boiler desulfurization and denitrification transformation to further reduce sulfur dioxide emission;
- (6) Zhuhai Huafeng invested in the turbine fan project to further reduce paper machine dewatering energy consumption.

2. Targeted Measures Taken to Help People Lift themselves out of Poverty

(1) Plan for Targeted Measures

The Company seriously carried out the detailed requirements of targeted poverty alleviation under the general plan of China Paper Corporation, developing the economy of poor village and poor households with the supports to education and industrial organization

combined with reality. With the key work of achieving farmer richness, the Company focused on the poverty alleviation to the people in Sanchagou Village, Shangguan, Yiyang County, Luoyang City, Henan Province, Positively coordinating with China Paper Corporation to overcome the difficulties, formulating strict standards of poverty alleviation, and seriously carrying out poverty alleviation to achieve the goal.

(2) Outline of Targeted Measures in the Reporting Period

The Company participated in the project of poverty alleviation in Sanchagou Village, Shangguan, Yiyang County, Luoyang City, Henan Province led by the actual controller China Paper Corporation, and arranged to implement it timely according to the work plan of poverty alleviation leading group of China Paper Corporation. In 2017, the Company subsidized 20 poor students; sent volunteers to attended support activities with love of putting the spirit of the 19th National Congress of the Communist Party of China into practice, and being first to be in poverty alleviation, and to support the education of poor areas.

(3) Results of Targeted Measures

Indicator	Measurement unit	Number/Progress
I. General condition	——	——
Of which: 1. capital	RMB'0,000	2.98
II. Itemized investment	——	——
1. Out of poverty by industrial development	——	——
2. Out of poverty by transferring employment	——	——
3. Out of poverty by relocating	——	——
4. Out of poverty by education	——	——
Of which: 4.1 invested amount to poor students	RMB'0,000	2.56
4.2 numbers of poor students	Number	20
5. Out of poverty by improving health	——	——
6. Out of poverty by protecting ecological environment	——	——
7. Subsidy for the poorest	——	——
8. Social poverty alleviation	——	——
9. Other items	——	——
III. Received awards(contents and rank)	——	——

(4) Subsequent Targeted Measure Plans

The Company would take an active part in the subsequent targeted measure activities in the respects of out of poverty by industry development and education according to the implementation plan of poverty alleviation purposes of actual controller.

3. Particulars Related to Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China

Yes

Name of the Company or its subsidiaries	Name of main pollutants and characteristics	Emission method	Number of discharge outlet	Distribution of discharge outlet	Emission concentration	Carried emission standard of pollutants	Total emission	Verified total emission	Excessive emission
Hongta Renheng	Chemical oxygen demand, ammonia nitrogen	Organized discharge	1	Sewage disposal center	Chemical oxygen demand is 38.24mg/l, and ammonia nitrogen is 0.59mg/l	Chemical oxygen demand≤80 mg/l, and ammonia nitrogen≤83 mg/l	Chemical oxygen demand are 124.09 tons, and ammonia nitrogen are 1.94 tons	Chemical oxygen demand are 294.4 tons, and ammonia nitrogen are 29.44tons.	Naught
Hongta Renheng	Sulfur dioxide, nitrogen oxide, smoke, blackness of exhaustion, carbon monoxide, dioxin	Organized discharge	1	Power boiler	Sulfur dioxide, nitrogen oxide, and smoke are 10mg/m3, 71mg/m3, 18.4mg/m3 respectively	Sulfur dioxide≤50 mg/m3, nitrogen oxide≤200 mg/m3, smoke≤30mg/m3, blackness of exhaustion≤1 level, carbon monoxide≤1000mg/m3, dioxin≤0.1ngTEQ/ m3	Sulfur dioxide, nitrogen oxide, and smoke are 5.02 tons, 35.77 tons, 9.25 tons respectively	Sulfur dioxide, nitrogen oxide, and smoke are 34.04 tons, 136.15 tons, 20.42 tons respectively	Naught
Zhuhai Huafeng	Chemical oxygen demand, ammonia nitrogen	Organized discharge	1	Sewage disposal center	Chemical oxygen demand, and ammonia nitrogen are 45.62mg/l,	Chemical oxygen demand≤80 mg/l, and ammonia nitrogen≤8 mg/l	Chemical oxygen demand, and ammonia nitrogen are 115.92 tons	Chemical oxygen demand, and ammonia nitrogen are 450.57 tons	Naught

					1.12mg/l respectively		and 3.05 tons respectively	and 45.06 tons respectively	
Zhuhai Huafeng	Sulfur dioxide, nitrogen oxide, smoke	Organized discharge	1	Power boiler	Sulfur dioxide, nitrogen oxide, and smoke are 20.88mg/m ³ , 60.25mg/m ³ , 6.96mg/m ³ respectively	Sulfur dioxide≤50 mg/m ³ , nitrogen oxide≤100 mg/m ³ , and smoke≤20mg/m ³	Sulfur dioxide, nitrogen oxide, and smoke are 36.87 tons, 99.08 tons, and 11.62 tons respectively	Sulfur dioxide, nitrogen oxide, and smoke are 68 tons, 142 tons, and 26 tons respectively	Naught
Golden Pheasant Chemical	Biochemical oxygen demand, ammonia nitrogen, suspended solids, Chemical oxygen demand	Organized discharge	1	Sewage disposal center	Biochemical oxygen demand, ammonia nitrogen, suspended solids, Chemical oxygen demand are 9.5mg/l, 0.26mg/l, 7mg/l, 26mg/l respectively	Biochemical oxygen demand≤30 mg/l, ammonia nitrogen≤15 mg/l, suspended solids≤100 mg/l, Chemical oxygen demand≤110mg/l	Biochemical oxygen demand, ammonia nitrogen are 0.248 tons, and 0.0025 tons respectively	Biochemical oxygen demand, ammonia nitrogen are 1.1088 tons, and 0.1512 tons respectively	Naught
Huaxin Color Printing	Biochemical oxygen demand, ammonia nitrogen	Organized discharge	1	Nanzhuang Jilichong	Biochemical oxygen demand, ammonia nitrogen are 8.294mg/l, and 0.0984mg/l respectively	Biochemical oxygen demand≤110mg/l, and ammonia nitrogen≤15 mg/l	Biochemical oxygen demand, ammonia nitrogen are 0.156 tons, and 0.021tons respectively	Biochemical oxygen demand, ammonia nitrogen are 0.178 tons, and 0.026 tons respectively	Naught

Pollution-prevention Facilities Construction and Operation

Hongta Renheng

Pollution-prevention Facilities Construction and Operation: The Sewage Station and Boiler were all built and operated by the third

party in normal operation. As for sewage, Hongta Renheng belongs to State key monitoring enterprise; as for smoke, Hongta Renheng belongs to Zhuhai key monitoring enterprise.

(1) Establishing a Sewage Station whose maximum processing capacity was 12000m³/d, and it was put into service on April 1, 2013 with the investment of RMB 14 million Yuan through applying A/O technology. The quality of water after such processing could meet relevant national discharge standards stated in Discharge Standard of Water Pollutants for Pulp & Paper Industry (GB3544-2008), and waste water (after processing) reaching corresponding standards would be discharged into Gongbei Sewage Disposal Plant via the municipal sewage pipeline network of Xiangzhou District, Zhuhai City.

Meanwhile, corresponding COD and online ammonia nitrogen auto monitoring system would be installed at the discharge outlet, and the qualified unit would be in charge of its operation management and 24-hour auto online detection and monitoring of ammonia nitrogen.

(2) Establishing 2 biomass briquette boilers with the operating capacity of 40 tons per hour were installed in association with relevant dust removal measures. As ceramic multi-tube cyclone dust collector and bag-type dust removal technology were applied to dispose flue gas, all discharged smoke pollutants, SO₂ and nitric oxides via the 25m chimney would meet corresponding discharge limit standard stated in Emission Standard of Air Pollutants for Boilers (DB44/765-2010).

Moreover, corresponding flue gas auto monitoring system would be installed at the discharge outlet, and the qualified unit would be in charge of its operation management and 24-hour auto online detection and monitoring of discharged SO₂, nitric oxides and smoke dust.

Zhuhai Huafeng:

Pollution-prevention Facilities Construction and Operation: The Sewage Station and Boiler were all built and operated by the third party in normal operation. As for sewage and smoke, Hongta Renheng belongs to State key monitoring enterprise.

(1) Establishing a Sewage Station whose maximum processing capacity was 22000m³/d, and it was put into service on September 28, 2006 with the floor space 21358m² and the investment of RMB 38 million Yuan through applying flocculation precipitation + SBR technology. In addition, SBR biochemical system applied Canada ADI company's SBR technology, and key devices were all introduced from foreign countries. The quality of water after such processing could meet relevant national discharge standards stated in Discharge Standard of Water Pollutants for Pulp & Paper Industry (GB3544-2008), and waste water (after processing) reaching corresponding standards would be discharged into Nanshui Sewage Disposal Plant in Zhuhai City via the municipal sewage pipeline network of Gaolan Port District, Zhuhai City.

Meanwhile, corresponding COD and online ammonia nitrogen auto monitoring system would be installed at the discharge outlet, and the qualified unit would be in charge of its operation management and 24-hour auto online detection and monitoring of ammonia nitrogen.

(2) Establishing two self-supplied fire coal CFBs were installed with the operating capacity of 75 tons per hour in association with relevant sulphur and dust removal measures. As out-of-furnace alkaline-mode wet desulphurization technology, bag-type dust remover, low-temperature and low-nitrogen combustion technology + SNCR were applied to dispose flue gas, the dust removal efficiency would exceed 99.6% and the denitration efficiency over 85%. All discharged smoke pollutants, SO₂ and nitric oxides via the 120m chimney would meet special discharge limit standard stated in Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011).

Moreover, corresponding flue gas auto monitoring system would be installed at the discharge outlet, and the qualified unit would be in charge of its operation management and 24-hour auto online detection and monitoring of discharged SO₂, nitric oxides and smoke dust.

Golden Pheasant Chemical

Pollution-prevention Facilities Construction and Operation: exhaust processing system and sewage station are in normal operation.

(1) Establishing a Sewage Station whose maximum processing capacity was 70m³/d, and the actual processing capacity was about 20m³ per day through applying biosorption technology. Sewage disposal equipment is running normally, and waste water (after processing) reaching corresponding standards would be discharged into Nanshui Sewage Disposal Plant in Zhuhai City via the

municipal sewage pipeline network of Gaolan Port District, Zhuhai City. When all industrial waste water after disposal in sewage station can reach Class 1 Standard during the second period stated in Discharge Limits of Water Pollutants (DB44/26-2001), it will be disposed after being discharged into Nanshui Sewage Disposal Plant in Zhuhai City via the municipal sewage pipeline network of Gaolan Port District, Zhuhai City.

(2) Establishing a exhaust processing system respectively in phase I with 1000m³ per hour processing capacity and phase II with 2000m³ per hour processing capacity. It adopted the equipment of bio-trickling, activated carbon adsorption, and photo-catalytic oxidation to discharge orderly after processing and reaching corresponding standards.

Huaxin Color Printing

Pollution-prevention Facilities Construction and Operation: The Sewage Station is in normal operation.

The company established its own Sewage Station whose maximum processing capacity can reach 20m³/d, and the qualified environmental protection company has always been involved in disposing waste water. All industrial waste water after disposal and reaching Class 1 Standard during the second period stated in Discharge Limits of Water Pollutants (DB44/26-2001) will be discharged into Nanzhuang Sewage Surge.

Appraisal of environment influences for construction project and other administrative licensing of environment protection

Hongta Renheng

(1) Reply on environmental impact report of sludge energy utilization technology project of Zhuhai Hongta Renheng Packaging Co., Ltd. ("Hongta Renheng") (ZXHJB [2017] No. 63).

(2) Pollutant discharge permit, No. 91440400617502107U001P; validity period: from June 7, 2017 to June 6, 2020; issued by: Environmental Protection Bureau of Xiangzhou District of Zhuhai City.

Zhuhai Huafeng

Pollution discharge permit, No. 914404006176214217001P; validity period: from June 7, 2017 to June 6, 2020; issued by: Environmental Protection Bureau of ZHUHAI GAOLAN PORT ECONOMIC ZONE MANAGEMENT COMMITTEE.

Golden Pheasant Chemical

Pollution discharge permit, No. 4404062010000030; validity period: from August 1, 2016 to July 31, 2021; issued by: Environmental Protection Bureau of ZHUHAI GAOLAN PORT ECONOMIC ZONE.

Huaxin Color Printing

Pollution discharge permit, No. 4406042010231001; validity period: from November 18, 2016 to December 31, 2017 (the original has been submitted to Administrative Service Center of Chancheng District for renewal); issued by: Environmental Protection Bureau of Chancheng District of Foshan City.

Emergency plan for abrupt environment affairs

Hongta Renheng

Hongta Renheng prepared the *Emergency Plan for Environmental Pollution* and filed it with Zhuhai Environmental Protection Bureau Environment Monitoring Branch on December 17, 2015; Filing No.: 44040120150P-LEmergency Plan for Abrupt Environment Affairs of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. and the *Risk Assessment Report for Abrupt Environment Affairs of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.*

Zhuhai Huafeng

Zhuhai Huafeng prepared the *Emergency Plan for Environmental Pollution* and filed it with Environmental Protection Bureau of ZHUHAI GAOLAN PORT ECONOMIC ZONE on October 24, 2013; and filed the *Emergency Plan for Abrupt Environment Affairs of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng")* and the *Risk Assessment Report for Abrupt Environment Affairs of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng")* with Environmental Emergency Management Office of Department of Environmental Protection of Guangdong Province on January 23, 2015.

Golden Pheasant Chemical

Golden Pheasant Chemical prepared the *Emergency Plan for Abrupt Environmental Pollution* and filed it with Environmental Protection Bureau of ZHUHAI GAOLAN PORT ECONOMIC ZONE on November 23, 2015; Filing No.: 2015076.

Huaxin Color Printing

Huaxin Color Printing prepared the *Emergency Plan for Abrupt Environment Affairs* and the *Risk Assessment Report for Abrupt Environment Affairs*. Filing No.: 440604-2017-034-L.

Environment self-monitoring scheme

Hongta Renheng

Hongta Renheng prepared self-monitoring scheme, annual self-monitoring report and self-monitoring result information and disclosed the same on the Platform for Disclosure of Self-Monitoring Information of State-Controlled Enterprises at the Provincial Level in Guangdong and the National Pollutant Sources Monitoring Data Management System Platform according to the requirements of the *Measures for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (for Trial Implementation)* (HF[2013] No. 81) and the *Work Scheme for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State*. The enterprise self-monitoring content includes: air pollutant emission monitoring at main exhaust emission outlets, water pollutant emission monitoring at main wastewater discharge outlets, and factory boundary noise monitoring, as follows:

- (1) Chemical oxygen demand and ammonia nitrogen shall be monitored every two hours every day and the values monitored shall be disclosed; biochemical oxygen demand, total phosphorus and total nitrogen shall be monitored once a week and the values monitored shall be disclosed; other pollutants in the wastewater shall be monitored once a month at least;
- (2) Sulfur dioxide, nitrogen oxides and particles shall be monitored every hour every day and the values monitored shall be disclosed; other pollutants in the exhaust shall be monitored once a season at least;
- (3) Factory boundary noise shall be monitored once a season at least;
- (4) Factory boundary odor concentration shall be monitored once a season.

If the self-monitoring shall be carried out by an entrusted institution, a social testing institution that is certified by the competent department of environmental protection at the provincial level or an environment monitoring institution to which the competent department of environmental protection belongs shall be entrusted to carry out the monitoring task. The environment monitoring institution to which the competent department of environmental protection belongs that has undertaken a supervisory monitoring task shall not undertake the self-monitoring entrustment business of the enterprise monitored.

The enterprise has an online monitoring system of chemical oxygen demand, an online monitoring system of ammonia-nitrogen containing wastewater and an online monitoring system of flue gas. The data of online monitoring systems of chemical oxygen demand, ammonia-nitrogen, sulfur dioxide, nitrogen oxides and particles shall be disclosed on the Integrated Management Platform of Key Pollution Sources in Guangdong Province every day; other pollutants shall be monitored by a qualified third party testing institution that is entrusted according to relevant requirements and then monitoring data shall be disclosed on the Integrated Management Platform of Key Pollution Sources in Guangdong Province and the Management System Platform of National Pollutant Sources Monitoring Data.

Zhuhai Huafeng

Zhuhai Huafeng prepared self-monitoring scheme, annual self-monitoring report and self-monitoring result information and disclosed the same on the Platform for Disclosure of Self-Monitoring Information of State-Controlled Enterprises at the Provincial Level in Guangdong and the National Pollutant Sources Monitoring Data Management System Platform according to the requirements of the *Measures for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (for Trial Implementation)* (HF[2013] No. 81) and the *Work Scheme for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State*. The enterprise self-monitoring content includes: air pollutant emission monitoring at main exhaust emission outlets, water pollutant emission monitoring at main wastewater discharge outlets, and factory boundary noise monitoring, as follows:

- (1) Chemical oxygen demand and ammonia nitrogen shall be monitored every hour every day and the average values shall be disclosed; other pollutants in the wastewater shall be monitored once a month at least;
- (2) Sulfur dioxide, nitrogen oxides and particles shall be monitored every hour every day and the average values shall be disclosed; other pollutants in the exhaust shall be monitored once a season at least;
- (3) Factory boundary noise shall be monitored once a season at least;
- (4) Factory boundary odor concentration shall be monitored once a season.
- (5) The daily monitoring data of PH value, chroma and suspended solids in the wastewater and the weekly monitoring data of total phosphorus and total nitrogen shall be disclosed on the Management System Platform of National Pollutant Sources Monitoring Data.

If the self-monitoring shall be carried out by an entrusted institution, a social testing institution that is certified by the competent department of environmental protection at the provincial level or an environment monitoring institution to which the competent department of environmental protection belongs shall be entrusted to carry out the monitoring task. The environment monitoring institution to which the competent department of environmental protection belongs that has undertaken a supervisory monitoring task shall not undertake the self-monitoring entrustment business of the enterprise monitored.

The enterprise has an online monitoring system of chemical oxygen demand, an online monitoring system of ammonia-nitrogen containing wastewater and an online monitoring system of flue gas. The data of online monitoring systems of chemical oxygen demand, ammonia-nitrogen, sulfur dioxide, nitrogen oxides and particles shall be disclosed on the Integrated Management Platform of Key Pollution Sources in Guangdong Province every day; other pollutants shall be monitored by a qualified third party institution that is entrusted according to relevant requirements and then monitoring data shall be disclosed on the Integrated Management Platform of Key Pollution Sources in Guangdong Province and the Management System Platform of National Pollutant Sources Monitoring Data.

Golden Pheasant Chemical

In accordance with the requirements of the *Work Scheme for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State*, Golden Pheasant Chemical entrusts a qualified third party testing institution to conduct wastewater and factory boundary noise test every year, as follows:

- (1) Biochemical oxygen demand, ammonia nitrogen, suspended solids and chemical oxygen demand test shall be conducted once a year at least;
- (2) Factory boundary noise test shall be conducted once a year at least.

Huaxin Color Printing

In accordance with the requirements of the *Work Scheme for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State*, Huaxin Color Printing entrusts a qualified third party testing institution to conduct wastewater, exhaust and factory boundary noise test every year, as follows:

- (1) PH value, ammonia nitrogen, suspended solids, chemical oxygen demand, biochemical oxygen demand, chroma, sulfides test shall be conducted twice a year at least;
- (2) Benzene, toluene and xylene test shall be conducted once a year at least;
- (3) Factory boundary noise test shall be conducted once a year at least.

Other environment information that should be disclosed

No

Other related environment protection information

No

XIX Other Significant Events

√ Applicable □ Not applicable

March 6, 2017, Announcement name: Notes for a Larger Liability Accident of Safety Production Happened in the Factory of Controlling Subsidiary Zhuhai Huafeng Paper Co., Ltd. (No. : 2017-016); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203132688?announceTime=2017-03-06)

August 12, 2017, Announcement name: Announcement on the Progress of Safety Accident of Controlling Subsidiary Zhuhai Huafeng Paper Co., Ltd. (No. : 2017-090); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203790246?announceTime=2017-08-12)

August 19, 2017, Announcement name: Announcement on the Termination of Resumption of Significant Events and Stock (No. : 2017-093); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203815732?announceTime=2017-08-19)

August 25, 2017, Announcement name: Announcement on Influences from Typhoon Damage (No. : 2017-100); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203863972?announceTime=2017-08-25)

August 28, 2017, Announcement name: Announcement on Progress of Influences from Typhoon Damage (No. : 2017-101); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203882662?announceTime=2017-08-28%2008:04)

September 2, 2017, Announcement name: Announcement on Debt Collection from Foshan Chengtong (No. : 2017-104); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203925466?announceTime=2017-09-02)

September 19, 2017, Announcement name: Announcement on the Progress of Increasing Capital to Chengtong Finance and the Completion of Industrial and Commercial Registration of Changes (No. : 2017-106); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203981697?announceTime=2017-09-19)

November 18, 2017, Announcement name: Announcement on Corporation Bonds for 2012 and Principal and Interests Payment for 2017 and Delisting. (No.: 2017-112); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1204151081?announceTime=2017-11-18)

December 30, 2017, Announcement name: Announcement on Receipt of Government Subsidy of Subsidiary of the Company (No. : 2017-115); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1204290466?announceTime=2017-12-30)

XX Significant Events of Subsidiaries of the Company

√ Applicable □ Not applicable

March 6, 2017, Announcement name: Notes for a Larger Liability Accident of Safety Production Happened in the Factory of Controlling Subsidiary Zhuhai Huafeng Paper Co., Ltd. (No. : 2017-016); announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203132688?announceTime=2017-03-06)

August 12, 2017, Announcement name: Announcement on the Progress of Safety Accident of Controlling Subsidiary Zhuhai Huafeng Paper Co., Ltd. (No. : 2017-090); announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203790246?announceTime=2017-08-12)

August 25, 2017, Announcement name: Announcement on Influences from Typhoon Damage (No. : 2017-100); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203863972?announceTime=2017-08-25)

August 28, 2017, Announcement name: Announcement on Progress of Influences from Typhoon Damage (No. : 2017-101);

Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203882662?announceTime=2017-08-28%2008:04

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December 30, 2017, Announcement name: Announcement on Receipt of Government Subsidy of Subsidiary of the Company (No. :

2017-115); Announcement disclosure website and index: <http://www.cninfo.com.cn>

(http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1204290466?announceTime=2017-12-30)

Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage (%)
I. Non-tradable 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	332,930,290	65.87%						332,930,290	65.87%
Other	5,697,101	0.11%						5,697,101	0.11%
II. Tradable 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%

Reasons for any share changes

☐ Applicable ☒ Not applicable

Approval of share changes

☐ Applicable ☒ Not applicable

Transfer of share ownership

☐ Applicable ☒ Not applicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the prior year and the prior period

☐ Applicable ☒ Not applicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

☐ Applicable ☒ Not applicable

II Issuance and Listing of Securities

1. Securities (excluding Preference Shares) Issued in this Reporting Period

☐ Applicable ☒ Not applicable

2. Changes in total Shares of the Company and the Shareholder Structure, as well as the Asset and Liability Structures

☐ Applicable ☒ Not applicable

3. Existing Employee-held Shares

☐ Applicable ☒ Not applicable

III Shareholders and Actual Controller

1. Total Number of Shareholders and their Shareholdings

Unit: share

Total number of common shareholders at the period-end	14,197	Total number of common shareholders at the prior month-end before the disclosure of this Report	13,943	Total number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8)	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure of this Report (if any) (see note 8)	0
5% or greater shareholders or the top 10 shareholders							
Name of	Nature of	Sharehol	Total	Increase/	Number	Number	Pledged or frozen shares

shareholder	shareholder	ding percenta ge (%)	shares held at the period-en d	decrease during this Reportin g Period	of non-trada ble shares held	of tradable shares held	Status	Number
FOSHAN HUAXIN DEVELOPMENT CO., LTD.	State-owned corporation	65.20%	329,512,030	0	329,512,030	0		
GUOTAI JUNAN SECURITIES(H ONGKONG) LIMITED	Foreign corporation	0.65%	3,287,053	-798,752	0	3,287,053		
WU HAOYUAN	Domestic individual	0.51%	2,561,991	0	0	2,561,991		
NORGES BANK	Foreign corporation	0.27%	1,352,720	0	0	1,352,720		
MIAO JUN	Domestic individual	0.24%	1,236,300	117,110	0	1,236,300		
ESSENCE INTERNATIONA L SECURITIES (HONG KONG) CO., LTD.	Foreign corporation	0.24%	1,205,252	-99,900	0	1,205,252		
CAI YUJIU	Domestic individual	0.24%	1,193,652	990,052	0	1,193,652		
KGI ASIA LIMITED	Foreign corporation	0.23%	1,161,959	159,500	0	1,161,959		
FOSHAN CHAN BEN DE ASSET MANAGEMENT CO., LTD	State-owned corporation	0.23%	1,139,420	0		1,139,420		
ZHANG LI	Domestic individual	0.19%	960,000	960,000	0	960,000		
Related or acting-in-concert parties among the shareholders above		It is unknown whether there is among the above shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.						
Shareholdings of the top ten tradable shareholders								
Name of shareholder		Number of tradable shares held at the period-end					Type of shares	
							Type	Number

GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	3,287,053	Domestically listed foreign share	3,287,053
WU HAoyUAN	2,561,991	Domestically listed foreign share	2,561,991
NORGES BANK	1,352,720	Domestically listed foreign share	1,352,720
MIAO JUN	1,236,300	Domestically listed foreign share	1,236,300
ESSENCE INTERNATIONAL SECURITIES (HONG KONG) CO., LTD.	1,205,252	Domestically listed foreign share	1,205,252
CAI YUJIU	1,193,652	Domestically listed foreign share	1,193,652
KGI ASIA LIMITED	1,161,959	Domestically listed foreign share	1,161,959
ZHANG LI	960,000	Domestically listed foreign share	960,000
MA ZEQU	959,762	Domestically listed foreign share	959,762
WU FENQIANG	955,000	Domestically listed foreign share	955,000
Related or acting-in-concert parties among the top ten non-restrictedly tradable share holders and between the top ten non-restrictedly tradable share holders and the top ten shareholders	It is unknown whether there is among the above shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.		

Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory repo during this Reporting Period.

☐ Yea ☒ No

No such cases in this Reporting Period.

2. Information about the Controlling Shareholder

Nature of the controlling shareholder: Controlled by a central state-owned corporation

Type of the controlling shareholder: Corporation

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Credibility code	Main business scope
FOSHAN HUAXIN DEVELOPMENT CO., LTD.	Yan Su	01/05/1993	19353992-5	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
Shareholdings of the controlling shareholder in other listed companies at home or abroad in this Reporting Period	None			

Change of the controlling shareholder during this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Information about the Actual Controller

Nature of the actual controller: Central institution for state-owned assets management

Type of the actual controller: Corporation

Name of actual controller	Legal representative/person in charge	Date of establishment	Credibility code	Main business scope
China Paper Corporation	Huang Xin	09/16/1988	91110000100008907C	Production, exploitation, and utilization of wood-pulp-paper; investment and development of important industrial products' means of production; sales of

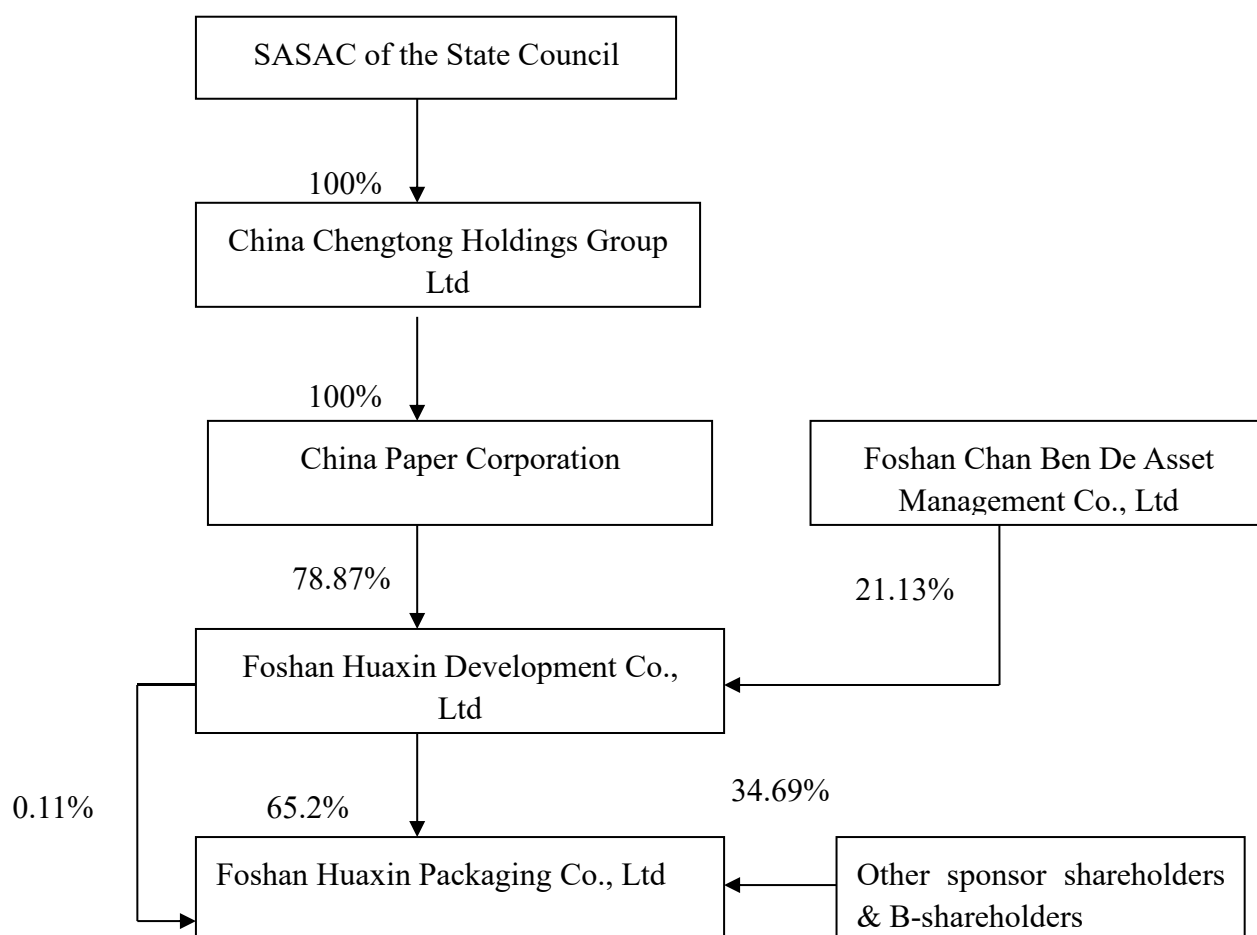
				metallic materials, building materials, wood, cement, chemical light raw materials (excluding dangerous chemicals) and its products, clothes, paper, rubber, tire, mechanical and electrical products, wire, cable, and automobile; import and export trade; technology consulting and service related to material development; wholesale and retail of coal and coke. (enterprises legally choose operating items and carry out operating activities on their own; the items in need of legal approval carry out operating activities according to the approved contents after the approval of related department; operating activities prohibited by industry policy of this city or that belong to restricted item can't to be conducted.)
Shareholdings of the actual controller in other listed companies at home or abroad in this Reporting Period	Guangdong Guanhao High-tech Co., Ltd. (600433.SH), Yueyang Forest & Paper Co., Ltd. (600963.SH).			

Change of the actual controller during this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

Ownership and control relations between the actual controller and the Company



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

☐ Applicable ☒ Not applicable

4. 10% or Greater Corporate Shareholders

☐ Applicable ☒ Not applicable

5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and other Commitment Makers

☐ Applicable ☒ Not applicable

Part VII Preferred Shares

☐ Applicable ☒ Not applicable

No preference shares in this Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Changes in Shareholdings of Directors, Supervisors and Executive Officers

Name	Office title	Incumbent/former	Gender	Age	Starting date of tenure	Ending date of tenure	Opening shareholding (share)	Increase in this Reporting Period (share)	Decrease in this Reporting Period (share)	Other increase/decrease (share)	Closing shareholding (share)
Huang Xin	Chairman	Incumbent	Male	55	06/06/2014	04/16/2020	0	0	0	0	0
Ren Xiaoping	Vice president	Incumbent	Male	45	03/15/2018	04/16/2020	0	0	0	0	0
Ren Xiaoping	GM	Incumbent	Male	45	01/15/2018	04/16/2020	0	0	0	0	0
Ji Xiangdong	Vice president, GM	Former	Male	43	04/17/2017	01/05/2018	0	0	0	0	0
Hong Jun	Director	Incumbent	Male	58	04/17/2017	04/16/2020	0	0	0	0	0
Zhang Qiang	Director	Incumbent	Male	43	04/17/2017	04/16/2020	0	0	0	0	0
Ye Meng	Director	Incumbent	Male	49	04/17/2017	04/16/2020	0	0	0	0	0
Yang Weixing	Director	Incumbent	Male	47	04/17/2017	04/16/2020	0	0	0	0	0
Xu Changlong	Independent Director	Incumbent	Male	55	04/17/2017	04/16/2020	0	0	0	0	0
Zhang Wenjing	Independent Director	Incumbent	Male	50	06/06/2014	04/16/2020	0	0	0	0	0
Li Jun	Independent Director	Incumbent	Male	45	04/17/2017	04/16/2020	0	0	0	0	0
Yang Zhenyu	Independent Director	Former	Male	47	06/06/2014	04/17/2017	0	0	0	0	0
Ren Xiaoming	Supervisory Board Chairman	Incumbent	Male	55	04/17/2017	04/16/2020	0	0	0	0	0

Zhang Hong	Supervisor	Incumbent	Female	47	04/17/2017	04/16/2020	14,600	0	0	0	14,600
Chen Long	Employee supervisor	Incumbent	Male	38	04/17/2017	04/16/2020	0	0	0	0	0
Tang Liming	Employee supervisor	Former	Male	33	06/09/2016	04/17/2017	0	0	0	0	0
Liu Yan	Vice GM, Board Secretary	Incumbent	Female	37	08/01/2017	04/16/2020	0	0	0	0	0
Yang Chenglin	Vice GM , CFO,	Incumbent	Male	44	04/17/2017	04/16/2020	0	0	0	0	0
Wu Yirong	Vice GM	Incumbent	Male	55	04/17/2017	04/16/2020	0	0	0	0	0
Chen Zhenran	Vice GM	Former	Male	51	06/06/2014	10/17/2018	0	0	0	0	0
Liu Hanwen	Vice GM	Former	Male	48	06/06/2014	03/27/2017	0	0	0	0	0
Chen Jiali	Vice GM	Former	Male	60	06/06/2014	04/08/2017	0	0	0	0	0
Total	--	--	--	--	--	--	14,600	0	0	0	14,600

II Changes in Directors, Supervisors and Executive Officers

√ Applicable □ Not applicable

Name	Office title	Type of change	Date	Reason
Chen Long	Employee supervisor	Appointed and dismissed	04/15/2017	The workers' congress election
Li Jun	Independent Director	Appointed and dismissed	04/17/2017	The election of General Meeting of Shareholders
Liu Yan	Vice GM, Board Secretary	Appointed and dismissed	08/01/2017	Appointed by Board of Directors
Ren Xiaoping	GM	Appointed and dismissed	01/15/2018	Appointed by Board of Directors
Ren Xiaoping	Director	Appointed and dismissed	01/31/2018	The election of General Meeting of Shareholders
Ren Xiaoping	Vice president	Appointed and dismissed	03/15/2018	The election of Board of Directors
Liu Hanwen	Vice GM, Board Secretary	dismissed	03/27/2017	Resignation

Chen Jiali	Vice GM	dismissed	04/08/2017	Retirement
Yang Zhenyu	Independent Director	Left for expiration	04/17/2017	Term expired
Tang Liming	Employee supervisor	Left for expiration	04/17/2017	Term expired
Ji Xiangdong	Vice president, GM	Left	01/05/2018	Resignation
Chen Zhenran	Vice GM	dismissed	01/07/2018	Resignation

III Brief biographies

Professional backgrounds, main working experience and current responsibilities in the Company of the incumbent directors, supervisors and executive officers

Board Chairman Huang Xin, successively served as Deputy Manager of Development Operation Dept. II, Manager of Industrial Investment Dept., Manager of Stratagem Investment Dept. and Manager of Asset Management Dept. Deputy GM, and Party Committee in China Material Development Investment Corporation (renaming to China National Paper-Industry Investment Corp. and China Paper Corporation successively); the Executive GM and GM of China National Paper-Industry Investment Corp (renaming to China Paper Corporation later); Deputy GM of Foshan Huaxin Development Co., Ltd and Foshan Huaxin Packaging Co., Ltd; GM of Zhuhai Hongta Renheng Paper Co., Ltd. Now he is the Chairman and Deputy Party Secretary of China Paper Corporation; the Chairman and Party Secretary of Tiger Forest & Paper Group Co., Ltd and Yueyang Forest & Paper Co., Ltd, the Executive Director of Longbang Investment and Development Co., Ltd; Director of Foshan Huaxin Development Co., Ltd; the Chairman of Foshan Huaxin Packaging Co., Ltd; and the Chairman of Zhuhai Hongta Renheng Packaging Co., Ltd.

Vice President and GM Ren Xiaoping, successively worked as Director of the Teaching and Research Section of Financial Management and Deputy Dean of Management Department in China University of Labor Relations; GM of Management Center, Stratagem Development Dept. in China Paper Corporation; Supervisor of Mcc Meili Cloud Computing Industry Investment Co., Ltd. He now acts as Supervisor of Tiger Forest Paper Group Co., Ltd; Director of Guangdong Guanhao High-tech Co., Ltd; Director of Mcc Meili Cloud Computing Industry Investment Co., Ltd; Vice President, Party Secretary, and GM and Secretary of Party Committee of Foshan Huaxin Packaging Co., Ltd; Vice President, GM and Secretary of Party Committee of Zhuhai Hongta Renheng Packaging Co., Ltd.

Director Hong Jun, successively took posts as General Manager of Human Resource Department in China Chengtong Holding Group Co., Ltd; Party Secretary, and Deputy GM of China Material Development Investment Corporation (renaming to China National Paper-Industry Investment Corp. and China Paper Corporation successively). Now he serves as Party Secretary, Director, and Deputy GM of China Paper Corporation; Director of Tiger Forest Paper Group Co., Ltd and Yueyang Forest & Paper Co., Ltd; Party Secretary, Director of Guangdong Guanhao High-tech Co., Ltd; and Director of Foshan Huaxin Packaging Co., Ltd and Zhuhai Hongta Renheng Packaging Co., Ltd.

Director Zhang Qiang, successively acted as the Deputy Manager of the Operating Management Department, the Deputy Manager of Strategic Development Department in China Material Development Investment Corporation (renaming to China National Paper-Industry Investment Corp. and China Paper Corporation successively); Management Representative of Zhanjiang Guanlong Paper Industrial Co., Ltd.; Assistant of GM in Guangdong Guanhao High-tech Co., Ltd; Manager of Strategic Development Department of China National Paper-Industry Investment Corp (renaming to China Paper Corporation later); Vice President, GM, and President of MCC Meili Paper Industry Co., Ltd; and Deputy GM of China Paper Corporation. Now he is a Director and GM of China Paper Corporation; the Chairman of Guangdong Guanhao High-tech Co., Ltd; Director of MCC Meili Paper Group Co., Ltd; Executive Director of Beijing Xingchengwang Industry Co., Ltd; and Director of Foshan Huaxin Packaging Co., Ltd

Director Ye Meng, successively took the posts of the HR Minister, Deputy GM, and Party Secretary of Yueyang Paper Co., Ltd.;

Chief Economist and Chief Legal Officer, Secretary of the Board, Deputy GM, Deputy Party Secretary, and Secretary of Commission in Tiger Forest & Paper Group Co., Ltd.; General Manager Assistant in China Paper Corporation. He now is a GM and Party Committee Member of Tiger Forest & Paper Group Co., Ltd; Deputy Party Secretary of Yueyang Forest & Paper Co., Ltd; and Director of Foshan Huaxin Packaging Co., Ltd.

Director Yang Weixing, 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, and GM in Foshan Chan Ben De Asset management Co., Ltd; and Deputy General Manager in Foshan Taiji Wine Co., Ltd; Chairman of Board of Supervisors in Foshan Investment Holdings Co., Ltd.; Chairman of Foshan East Asia Co., Ltd.; Director, Deputy General Manager in Foshan Financial Investment Holdings Co., Ltd. now he works as the GM of Foshan Culture Development Investment Management Co., Ltd; the Chairman of Foshan Chan Ben De Asset management Co., Ltd; Director of Foshan Huaxin Development Co., Ltd. and Director of Foshan Huaxin Packaging Co., Ltd.

Independent Director Xu Changlong, successively served as the auditor of Hunan Provincial Audit Office and the Changsha Resident Office, National Audit Office of the People's Republic of China and has successively held the posts of the head of Hunan Zhongshan Auditing Firm, the Chairman and Senior Accountant of Hunan Yongxin Limited Liability Accounting Firm, the General Manager of Hunan Yongxin Assets Appraisal Co., Ltd., the Head of Hunan Yongxin Judicial Expertise Institute, the Chairman of Hunan Yongxin Engineering Project Management Co., Ltd., and the Equity Partner of Shinewing Certified Public Accountants Limited. At present, he holds the posts of the Chairman of the Council of Hunan Zheng Dongguo Education Foundation, the General Manager of Reanda Certified Public Accountants Hunan Branch, and the Vice President of ZBX Construction Cost Consulting (Beijing) Co., Ltd; Independent Director of Foshan Huaxin Packaging Co., Ltd, Huatian Hotel Group Co., Ltd, Talkweb Information System Inc., and Changsha Kaiyuan Instruments Co., Ltd, and China Tungsten and Hightech Materials Co., Ltd.

Independent Director Zhang Wenjing, successively acted as a lawyer of Guangdong Chenguang Law Offices (renamed as De Heng (Zhuhai) Law Offices later); Independent Director of Huajin Capital Co., Ltd. He now is a Lawyer and Director of De Heng (Zhuhai) Law Offices; legal adviser of the Standing Committee of the National People's Congress of Zhuhai City, People's Government of Zhuhai, Discipline Inspection Committee of Zhuhai, High-tech Zone Management Committee of Zhuhai, State-owned Assets Supervision and Administration Commission of People's Government of Zhuhai, Zhuhai Municipal Housing and Urban and Rural Planning Construction Bureau, Finance Bureau in Hnagqin New District, Development Revolution and Finance Bureau in Gaolangang Economical Area; Independent Director in Foshan Huaxin Packaging Co., Ltd. and Zhuhai Port Co., Ltd.

Independent Director Li Jun, successively worked as teacher, lecture, associate professor, and professor in South China University of Technology. Now he is a Vice President of School of Light Industry Science and Engineering in South China University of Technology; the team head of Processing Technology and Equipment; Deputy Director of State Key laboratories in Pulp and Paper Engineering of South China University of Technology; Independent Director of Foshan Huaxin Packaging Co., Ltd.

Chairman of the Supervisory Committee Ren Xiaoming, successively acted as a teacher in Beijing Materials University; Deputy Director of Information Teaching and Research Office of Computing Center in Beijing Materials University; the staff, Manager of Operation Dept. I, and Manager of Future Goods Dept. in Beijing Company of China's Defense Military Supplies; Deputy Manager, Deputy Director of Administration (Party Committee) Office, Deputy Manager of HR & Admin Dept., and Deputy Director of Part Committee Office, Deputy Manager and member of CCDI in Party-mass work Dept and General management Dept in China Material Development Investment Corporation (renaming to China National Paper-Industry Investment Corp. and China Paper Corporation successively). He now is a GM of Foshan Huaxin Import & Export Co., Ltd; Chairman of Supervisory board in Foshan Huaxin Development Co., Ltd; Party Committee Member, Secretary of Commission, chairman of the labor union, and Chairman of Supervisory board in Foshan Huaxin Packaging Co., Ltd; Deputy Party Secretary, Secretary of Commission, and supervisor in Zhuhai Hongta Renheng Packaging Co., Ltd.; Chairman of Supervisory board in Huaxin (Foshan) Color Printing Co., Ltd.

Supervisor: Zhang Hong, successively held the posts of the Teacher, the Secretary for the Office of the Party Committee, and the Deputy Business Director of Labor Output Training Division in Jiangxi Yichun Technician School; the Office Executive Secretary, Deputy Director and Director and the Human Resources Manager in Hongta Renheng Packaging Co., Ltd. At present, she holds the

posts of Supervisor and Human Resources Manager in Foshan Huaxin Packaging Co., Ltd; GM Assistant, Human Resources Manager, and Office Director in Zhuhai Hongta Renheng Packaging Co., Ltd.

Employee Supervisor Chen Long, successively worked as Expense Accountant and GL Accountant in Zhuhai Zhenwei Group Corp.; Cost Accountant in Zhuhai Lianfeng Knitting Co., Ltd; Budget Accountant, GL Accountant, Financial Executive, and Deputy Financial Manager in Zhuhai Hongta Renheng Packaging Co., Ltd.; Deputy Financial Manager, and Financial Manager in Zhuhai Golden Pheasant Chemical Co., Ltd.. He now is an Employee Supervisor, Manager of Legal Dept. in Foshan Huaxin Packaging Co., Ltd; Manager of Legal Dept. in Zhuhai Hongta Renheng Packaging Co., Ltd.

Deputy GM and Secretary of Board Liu Yan, successively worked as Project Manager of Strategic Development Dept., Senior Project Manager, Deputy Manager of Financial Management Dept., GM of Strategic Development Dept. in China Paper Corporation. She now is a Supervisor in Guangdong Guanhao High-tech Co., Ltd; Director in Mcc Meili Cloud Computing Industry Investment Co., Ltd; Deputy GM and Secretary of Board in Foshan Huaxin Packaging Co., Ltd and Zhuhai Hongta Renheng Packaging Co., Ltd.

Deputy GM and CFO Yang Chenglin, successively acted as CFO in Zhuhai Huihai Development Co., Ltd.; Financial Manager in Zhuhai MABOX Furniture Co., Ltd; Deputy Financial Manager, Financial Manager, and Assistant of General Manager in Zhuhai Hongta Renheng Packaging Co., Ltd. He is the Director of Foshan Huaxin Development Co., Ltd. and Deputy GM and CFO in Foshan Huaxin Packaging Co., Ltd. and Zhuhai Hongta Renheng Packaging Co., Ltd.

Deputy General Manager Wu Yirong, successively acted as Technology Deputy Managers, Sales Deputy Managers, Deputy Chief Engineer, Deputy General Manager in Zhuhai S.E.Z Hongta Renheng Paper Co., Ltd. He has been acting as Deputy General Manager in Zhuhai Hongta Renheng Packaging Co., Ltd. He has been acting as Deputy General Manager in Foshan Huaxin Packaging Co., Ltd. and Zhuhai Hongta Renheng Packaging Co., Ltd.

Posts concurrently held in shareholding entities

√Applicable □Not applicable

Name	Shareholding entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the shareholding entity
Huang Xin	China Paper Corporation	Chairman and Deputy Party Secretary	08/23/2016		Yes
Huang Xin	Foshan Huaxin Development Co., Ltd.	Director	05/30/2016		No
Hong Jun	China Paper Corporation	Director, Party Secretary, and Vice GM	09/01/2007		Yes
Zhang Qiang	China Paper Corporation	Director, GM	11/06/2016		Yes
Ye Meng	Foshan Huaxin Development Co., Ltd	Director,	03/23/2015		No
Yang Weixing	Foshan Chan Ben De Asset management Co., Ltd	Chairman	01/01/2015		Yes

Posts held concurrently in other entities

√Applicable □Not applicable

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the entity
Huang Xin	Zhuhai Hongta Renheng Packaging Co., Ltd.	Chairman	12/04/2015		No
Huang Xin	Tiger Forest & Paper Group Co., Ltd	Party	02/27/2014		No

		Secretary			
Huang Xin	Tiger Forest & Paper Group Co., Ltd	Chairman	06/07/2016		No
Huang Xin	Yueyang Forest & Paper Co., Ltd	Chairman, Party Secretary	03/19/2015		No
Huang Xin	Longbang Investment and Development Co., Ltd	Executive Director	01/01/2016		No
Hong Jun	Zhuhai Hongta Renheng Packaging Co., Ltd.	Director	01/30/2016		No
Hong Jun	Tiger Forest & Paper Group Co., Ltd	Director	01/23/2011		No
Hong Jun	Yueyang Forest & Paper Co., Ltd	Director	09/18/2015		No
Hong Jun	Guangdong Guanhao High-tech Co., Ltd	Director	01/22/2010		No
Zhang Qiang	Guangdong Guanhao High-tech Co., Ltd	Chairman	02/01/2016		No
Zhang Qiang	MCC Meili Paper Industry Co., Ltd	Director	03/01/2013		No
Zhang Qiang	Beijing Xingchengwang Industry Co., Ltd	Executive Director	04/06/2016		No
Ren Xiaoping	Tiger Forest & Paper Group Co., Ltd	Supervisor	08/25/2016		No
Ren Xiaoping	Zhuhai Hongta Renheng Packaging Co., Ltd.	Secretary of Party committee, Director, GM	01/15/2018		Yes
Ren Xiaoping	Guangdong Guanhao High-tech Co., Ltd	Director	09/23/2017		No
Ren Xiaoping	Mcc Meili Cloud Computing Industry Investment Co., Ltd	Director	02/06/2018		No
Ye Meng	Tiger Forest & Paper Group Co., Ltd	Party Committee Member, GM	06/07/2017		Yes
Ye Meng	Yueyang Forest & Paper Co., Ltd	Deputy Party Secretary	03/29/2015		No
Yang Weixing	Foshan Culture Development Investment Management Co., Ltd	GM	09/01/2017		Yes
Xu Changlong	Reanda Certified Public Accountants Hunan Branch	Executive Head	02/01/2011		Yes
Xu Changlong	Hunan Reanda Judicial Expertise Institute	Head	02/01/2011		Yes
Xu Changlong	ZBX Construction Cost Consulting (Beijing) Co., Ltd	Vice Chairman and GM of Hunan Branch	11/01/2011		Yes

Xu Changlong	Huatian Hotel Group Co., Ltd	Independent Director	11/28/2014		Yes
Xu Changlong	Talkweb Information System Inc	Independent Director	06/27/2016		Yes
Xu Changlong	Changsha Kaiyuan Instruments Co., Ltd	Independent Director	12/06/2016		Yes
Xu Changlong	Hunan Zheng Dongguo Education Foundation (charity fund)	President and Legal Representative	11/01/2015		No
Xu Changlong	Huatian Hotel Group Co., Ltd	Independent Director	09/19/2017		Yes
Xu Changlong	Changsha Kaiyuan Instruments Co., Ltd	Independent Director	12/06/2016		Yes
Xu Changlong	China Tungsten and Hightech Materials Co., Ltd.	Independent Director	06/16/2017		No
Zhang Wenjing	De Heng (Zhuhai) Law Offices	Director	12/01/1997		Yes
Zhang Wenjing	Zhuhai Port Co., Ltd.	Independent Director	07/27/2015		Yes
Li Jun	South China University of Technology	Professor and Director	08/28/2017		Yes
Ren Xiaoming	Zhuhai Hongta Renheng Packaging Co., Ltd.	Vice-Secretary of Party committee , Secretary of Discipline Inspection Commission, Supervisor,	01/30/2016		Yes
Ren Xiaoming	Huaxin (Foshan) Color Printing Co., Ltd	Chairman of Supervisory Board	07/06/2017		No
Ren Xiaoming	Foshan Huaxin Import & Export Co., Ltd	GM	04/28/2016		No
Zhang Hong	Zhuhai Hongta Renheng Packaging Co., Ltd.	Assistant of GM	04/12/2016		Yes
Chen Long	Zhuhai Hongta Renheng Packaging Co., Ltd.	Manager	05/31/2017		Yes
Liu Yan	Zhuhai Hongta Renheng Packaging Co., Ltd.	Deputy GM and Secretary of Board	08/14/2017		Yes

Liu Yan	Guangdong Guanhao High-tech Co., Ltd	Supervisor	09/23/2017		No
Liu Yan	Mcc Meili Cloud Computing Industry Investment Co., Ltd	Director	07/14/2016		No
Yang Chenglin	Zhuhai Hongta Renheng Packaging Co., Ltd.	Deputy GM and CFO	01/30/2016		Yes
Yang Chenglin	Foshan Huaxin Development Co., Ltd.	Director	05/30/2016		No
Wu Yirong	Zhuhai Hongta Renheng Packaging Co., Ltd.	Deputy GM	01/30/2016		Yes

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and executive officers as well as those who left in this Reporting Period

☐ Applicable ☒ Not applicable

IV Remuneration of Directors, Supervisors and Executive Officers

Decision-making procedure, determination basis and actual remuneration payment of directors, supervisors and executive officers

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, and 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 executive officers in this Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Huang Xin	Chairman	Male	55	Incumbent	0	Yes
Ren Xiaoping	Secretary of Party committee ,Vice Chairman, GM	Male	45	Incumbent	0	Yes
Hong Jun	Director	Male	58	Incumbent	0	Yes
Zhang Qiang	Director	Male	43	Incumbent	0	Yes
Ye Meng	Director	Male	49	Incumbent	0	Yes
Yang Weixing	Director	Male	47	Incumbent	0	Yes
Zhang Wenjing	Independent	Male	50	Incumbent	8	No

	Director					
Xu Changlong	Independent Director	Male	55	Incumbent	8	No
Li Jun	Independent Director	Male	45	Incumbent	4	No
Ren Xiaoming	Party Committee Member ,Chairman of Supervisory Board	Male	55	Incumbent	43.8	No
Zhang Hong	Supervisor	Female	47	Incumbent	18.7	No
Chen Long	Employee Supervisor	Male	38	Incumbent	14	No
Liu Yan	Deputy GM, Secretary of Board	Female	37	Incumbent	8.5	No
Yang Chenglin	Deputy GM, CFO	Male	44	Incumbent	68.6	No
Wu Yirong	Deputy GM	Male	55	Incumbent	55.5	No
Ji Xiangdong	Vice Chairman	Male	43	Former	70.5	No
Yang Zhenyu	Independent Director	Male	47	Former	4	No
Tang Liming	Employee Supervisor	Male	33	Former	12.5	No
Liu Hanwen	Deputy GM, Secretary of Board	Male	48	Former	36.6	No
Chen Jiali	Deputy GM	Male	60	Former	0	No
Chen Zhenran	Deputy GM	Male	51	Former	31.8	No
Total	--	--	--	--	384.5	--

Equity incentives for directors, supervisors and executive officers in this Reporting Period

☐ Applicable ☒ Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company	19
Number of in-service employees of main subsidiaries	1,928
Total number of in-service employees	1,932

Total number of employees with remuneration in this Reporting Period	1,932
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0
Functions	
Function	Number of employees
Production	1,538
Sales	100
Technical	46
Financial	48
Administrative	200
Total	1,932
Educational backgrounds	
Educational background	Number of employees
Masters and above	20
Bachelors	243
College graduates	300
Technical secondary school graduates	467
High school graduates	902
Middle school graduates	0
Primary school graduates	0
Total	1,932

2. Employee Remuneration Policy

Combined with the conditions of national macroeconomic environment, development strategy of the Company, and operation performance, the employee remuneration policy of the Company provides employees with competitive salary level in industries and regions. Meanwhile, the Company set up a normalized, standardized, and systematic salary management system according to national laws and regulations and the actual conditions of the Company. Salary distribution is inclined to strategic talents, production backbones, and technical personnel to ensure the market competitiveness of core talents' income level. The employee remuneration policy incentivizes the performance and reflects the market with clear guidance and difference. Among the compensation package of the Company's employees, the salary is decided by position value in line with the market, and the bonus is decided by their performance to stand out their contributions. Moderate adjustments and collections are done to the remuneration policy of the Company according to the development strategy and managerial demands of production operation every year. Sharing innovative achievements with staffs, the Company provides employees with legal labor remuneration as their due to improve employees' happiness.

The Company is pushing forward the establishment of engagement system of professional technical and skilled talents' grade evaluation, with recognition to employees' professional abilities, providing competent skilled and technical talents with performance with multi career development channel other than management position to comprehensively build the employment mechanism of

attracting talents, incentivizing talents, and retaining talents as well.

3. Employee Training Plans

Guided by strategic objectives of organization and development requirements of HR, the Company provides employees with targeted and systematic trainings, including various respects, such as, post knowledge, job qualification, safety education, system standards, and administrative regulations, etc. The Company carried out the training in the whole company for 7 times with the participation of 6000 people, which includes the training of Learning Safety from Du Bang, training of qualification for Administrator of Enterprise's Safety in Production in Non-high-risk Industry, Youth Talent Cultivation of China Paper Corporation, Quality-extended Training of Undergraduate, Learning and Implementing the 19th National Congress of the Communist Party of China, and Skills Training for Post Operation to improve safety awareness, knowledge and skills, comprehensive quality, to build an excellent staff team and strengthen the competitiveness ability of core talents of the Company, and to achieve the objective of mutual development between the Company and employees.

4. Labor Outsourcing

☐ Applicable ☒ Not applicable

Part IX Corporate Governance

I Basic Situation of Corporate Governance

During the Reporting Period, the Company continuously improved corporate governance structure, and established modern enterprises system to standardize the Company's operation in strict accordance with the related laws and regulations of Corporation Law, Securities Law, Governance Regulations of listing Companies and related rules of Shenzhen Stock Exchange. On the basis of the related regulations of Corporation Law, Stock Listing Rules, Rules of Procedure of General Meeting of Shareholders, Board of Directors, and Supervisory Board, the Company convened General Meeting of Shareholders, Board of Directors, and Supervisory Board in time within the involved terms of reference of decision-making events, fully implementing the decided events; the responsibility of General Meeting of Shareholders, Board of Directors, Supervisory Board, and Business Management is clear with effectively operated balance mechanism, and the decision-making and rules of procedure are democratic and transparent. The actual conditions of the Company's governance are in line with the related regulations of CSRC.

Any significant incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies

☐ Yes ☒ No

No such cases in this Reporting Period.

II Independence of Businesses, Personnel, Asset, Organizations and Finance which are Separate from the Controlling Shareholder

The Company, the controlling shareholders and the actual controllers of the Company realized the independent execution in business, personnel, assets, finance and institution with independent calculation and respectively burden the responsibilities and risks. The Company possesses independent and entire business and self operating ability.

1. As for the business: the Company possessed the independent and complete business and decision-making system as well as the independent operating ability that entirely independent of the controlling shareholders and the actual controllers.
2. As for the personnel: the Company possessed independent labor, HR and salary management system and the Senior Executives such as the GM, the managers, the Financial Administrator and the Board Secretary were all paid by the Company and unable to take charge in the controlling shareholders' units of the Company.
3. As for the assets: the Company possessed the independent production and operating system as well as the supporting facilities, and the assets the controlling shareholders invested in the Company were independent as well as complete with clear ownership.
4. As for the institutions: the Company set up the organizations and intuitions independent of the controlling shareholders for independently handling the official business and the execution of the functions.
5. As for the finance: the Company set up the independent financial and accounting department and built up the independent accounting calculation mechanism and financial management system; the Company opened the independent account and paid for the taxes according to laws.

III Horizontal Competition

☐ Applicable ☒ Not applicable

IV Annual and Special meetings of Shareholders Convened during this Reporting Period

1. Meetings of Shareholders Convened during this Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to the disclosed information
2016 Annual General Meeting	Annual General Meeting	66.93%	04/17/2017	04/18/2017	Name of announcement: Foshan Huaxin Packaging Co., Ltd.-Announcement on Resolution of 2016 Annual General Meeting; Number of announcement: 2017-044 Newspaper and website on which the announcement was disclosed: Securities Times, HK Ta Kung Pao, Cninfo (http://www.cninfo.com.cn)
The First Special Meeting of Shareholders in 2017	First Special Meeting of Shareholders	66.32%	07/18/2017	07/19/2017	Name of announcement: Foshan Huaxin Packaging Co., Ltd.-Announcement on Resolution of the 1 st Special Meeting of Shareholders in 2017; Number of announcement: 2017-082 Newspaper and website on which the announcement was disclosed: Securities Times, HK Ta Kung Pao, Cninfo

					(http://www.cninfo.com.cn)
The Second Special Meeting of Shareholders in 2017	First Special Meeting of Shareholders	66.47%	09/07/2017	09/08/2017	Name of announcement: Foshan Huaxin Packaging Co., Ltd.-Announcement on Resolution of the 2 nd Special Meeting of Shareholders in 2017; Number of announcement: 2017-105 Newspaper and website on which the announcement was disclosed: Securities Times, HK Ta Kung Pao, Cninfo (http://www.cninfo.com.cn)

2. Special Meetings of Shareholders Convened at the Request of Preference Shareholders with Resumed Voting Rights

☐ Applicable ☒ Not applicable

V Performance of Independent Directors in this Reporting Period

1. Attendance of Independent Directors in Board Meetings and Meetings of Shareholders

Attendance of independent directors in board meetings						
Independent director	Due presence in this Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absence for two consecutive times
Xu Changlong	11	2	9	0	0	No
Zhang Wenjing	11	1	9	1	0	No
Li Jun	9	1	8	0	0	No
Yang Zhenyu	2	1	1	0	0	No
Attendance of independent directors in meetings of shareholders as non-voting delegates (times)		3				

Notes to any absence for two consecutive times:

Naught

2. Objections Raised by Independent Directors on Issues of the Company

Indicate by tick mark whether any independent directors raised any objections on issues of the Company.

☐ Yes ☒ No

No such cases in this Reporting Period.

3. Other Details about the Performance of Duties by Independent Directors

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

☒ Yes ☐ No

Suggestions from independent directors adopted or not adopted by the Company:

In accordance with the related requirements of Institutional guidance of Independent Directors of Listing Companies, Articles of Association, and Rules of Procedure of Board of Directors, the independent Directors of the Company performed the duties, and earnestly reviewed various proposals of Board of Directors, fully expressed their opinions about the significant events of the Company, and also expressed related opinions about the events in need of approval opinions of independent Directors or independent opinions in advance, giving a full play to the functions of independent directors, and providing effective guarantee to the scientific decision-making of Board of Directors.

VI Performance of Duties by Specialized Committees under the Board during this Reporting Period

(i) Performance of the Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors held one meeting. In accordance with the responsibilities of the Audit Committee of the Board of Directors of the company, the Audit Committee mainly coordinates, supervises and checks the internal and external audit:

1. The audit committee fully communicated with the accounting firm responsible for annual audit of the company with respect to the audit plan, engagement letter, risk and control etc.
2. Before the certified public accountant responsible for annual audit of the company entered the site, the audit committee reviewed the financial statements prepared preliminarily by the company and believed that the statements reflect the current financial state of the company in all material respects.
3. After the certified public accountant responsible for annual audit of the company provided his preliminary opinion, the audit committee reviewed the financial statements of the company and communicated with the accounting firm concerning important issues and main accounting estimation issues, audit adjustment issues and important accounting policies that may have an potential impact on the financial statements, believed that the financial and accounting statements of the company reflected the overall situation of the company truly, accurately and completely and agreed to prepare the annual report of FY 2017 based on these statements.
4. The audit committee reviewed the financial statements of FY 2017 which has been audited by the auditor, believed that these statements reflected the financial state, operating results and cash flow of the company in FY 2017 fairly in all materials respects, and agreed to submit these statements to the Board of Directors for deliberation.

(ii) Performance of the Remuneration and Appraisal Committee of the Board of Directors

The Remuneration and Appraisal Committee of the Board of Directors held two meetings in total. In accordance with own

responsibilities, the Remuneration and Appraisal Committee of the Board of Directors reviewed the annual pay declared by directors, supervisors and senior executives of the company and believed that the annual pay declared by directors, supervisors and senior executives of the company is consistent with that they actually collect from the company. The remuneration of directors, supervisors and senior executives of the company is paid according to the salary management regulations of the company. Meanwhile, annual salary allocation proposal for management staff of the company was deliberated, passed and submitted to the Board of Directors.

(iii) Nomination Committee of the Board of Directors

The Nomination Committee of the Board of Directors held 2 meetings in total. In accordance with own responsibilities, the Nomination Committee of the Board of Directors reviewed the qualifications of personnel involved in the *Proposal of Employment of General Manager*, the *Proposal of Employment of Deputy General Manager and Finance Director*, the *Proposal of Employment of Securities Affairs Representative*, the *Proposal of Employment of Auditing Department Manager* and the *Proposal of Employment of Board Secretary*.

VII Performance of Duties by the Supervisory Board

Did the Supervisory Board find any risks to the Company during its supervision in this Reporting Period?

☐ Yes ☒ No

The Supervisory Board raised no objections in this Reporting Period.

VIII Appraisal and Incentive for Executive Officers

In the principle of reasonableness, fairness, and justice, the Company thinks highly of the combination of material incentives with spirit incentives, and the combination of operation target of the Company with dedication spirit, social responsibility, and career achievement of the senior executive at the same time.

During the Reporting Period, the Company established the appraisal system based on system of objective responsibility in accordance with Methods of Compensation Management and Enforcement Regulations of Compensation Incentives reviewed and approved by board of Directors and Compensation and Appraisal Committee. The Company and executive officers signed the Liability Statement of the Company's Annual Operation to confirm the compensation incentives scheme of executive officers. The Board of Directors evaluates the performance of executive officers to confirm the compensation according to the indicators of Liability Statement of the Annual Operation, including multidimensional indicators, like various annual financial indicators, internal operation management indicators, and special indicators of main work, and etc.

IX Internal Control

1. Serious Internal Control Defects Found in this Reporting Period

☐ Yes ☒ No

2. Internal Control Self-evaluation Report

Disclosure date of the internal control self-evaluation report	03/17/2018
Index to the disclosed internal control self-evaluation report	http://www.cninfo.com.cn

Total assets of the evaluated entities as a percentage in the consolidated total assets		100.00%
Operating revenues of the evaluated entities as a percentage in the consolidated operating revenues		100.00%
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	(1) Indications of the great defect of the financial report including: ① malpractices of the Directors, Supervisors and the Senior Executives of the Company; ② published financial report with significant misstatement which influenced its authenticity, integrity and fairness that the Company would make certain verification; ③ CPA discovered the significant misstatement of the current financial report while the internal control failed to find out during the operating; ④ the supervision on the internal control by the Audit Committee and the internal audit institution of the Company was invalid. (2) The indications of the significant defect of the financial report including: ① the environmental control was invalid; ② the accounting policies formulated by the Company violated the ASBE; ③ the applied accounting policies not met with the accounting system of the Company; ④ had not built up the fraud program and control measurements; ⑤ the financial treatment with unconventional or special transactions did not build up corresponding control system or failed to execute; ⑥ there was one or multiple defects during the control of financial report at the period-end and could not reasonably ensure the statement of the compile of the financial report was real and complete. (3) General defect refers to the other control defect except for the above great defect and significant defect.	(1) If there were unambiguous evidence indicated the Company possessed one of the following conditions among the evaluation at the period-end, should be recognized as the great defect of the internal control: ① the significant events lacked of the legal decision-making process; ② lacked of the decision-making process or the process was not normative that caused significant mistakes; ③ violated the national laws, regulations, rules or normative documents that received the administrative punishment such as the criminal penalties or be ordered for suspension of production or business, be withheld or revoked the permits or license; ④ the great defect of the internal control had not been verified; ⑤ the significant business lacked of the systematic control or which was invalid. (2) There was unambiguous evidence indicated the Company possessed one of the following conditions among the evaluation at the period-end, should be recognized as the significant defect of the internal control: ① there was decision-making process but not complete enough; ② the decision-making process was irregular that caused rather big mistake; ③ violated the national laws, regulations, rules and the normative documents that received the administrative punishment except the criminal penalties or the order of the suspension of production or

		business or be withheld or revoked the permits or license; ④ significant business mechanism or system existed significant defect; ⑤ the significant defect of the internal control had not been verified. (3) The general defect refers to the other control defect except for the above great defect and significant defect
Quantitative standard	The quantitative criteria regarded the total assets amount of the consolidated financial report as the measurement index. If the defect alone or accompanied with other defects which may cause the amount of the misstatement of the financial report lower than 0.5% of the total assets amount of the consolidated statements, should be recognized as the general defect; if exceeded 0.5% of the total assets amount of the consolidated statement but still lower than 1% of which, should be recognized as the significant defect; if exceeded 1% of the total assets amount of the consolidated statement, should be recognized as the great defect.	The quantitative criteria regarded the directly financial losses amount as the measurement index. If the defect alone or accompanied with other defects which may cause the amount of the directly financial losses lower than 0.5% of the total assets amount of the consolidated statements, should be recognized as the general defect; if exceeded 0.5% of the total assets amount of the consolidated statement but still lower than 1% of which, should be recognized as the significant defect; if exceeded 1% of the total assets amount of the consolidated statement, should be recognized as the great defect.
Number of significant defects of financial report (Piece)		0
Number of significant defects of non-financial report (Piece)		0
Number of important defects of financial report (Piece)		0
Number of important defects of non-financial report (Piece)		0

X Auditor's Report on Internal Control

√ Applicable □ Not applicable

Opinion paragraph in the auditor's report on internal control	
Huaxin Packaging maintained valid internal control of the financial report in the significant aspects according to the C-SOX and the relevant regulations on December 31, 2017.	
Auditor's report on internal control disclosed or not	Disclosed

Disclosure date	03/17/2018
Index to the disclosed auditor's report on internal control	www.cninfo.com.cn
Type of the auditor's opinion	Standard unqualified opinion
Serious non-financial-report-related defects	None

Indicate by tick mark whether any modified opinions are expressed by the CPAs firm in its auditor's report on the Company's internal control.

☐ Yes ☒ No

Indicate by tick mark whether the auditor's report on the Company's internal control issued by the CPAs firm is consistent with the self-evaluation report of the Board.

☒ Yes ☐ No

Part X Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No

Part XI Financial Statements

I Auditor's report

Type of auditor's opinion	Standard unqualified opinion
Date of signing the auditor's report	03/15/2018
Name of the auditor	Da Hua Certified Public Accountants (Special General Partnership)
No. of the auditor's report	Da Hua Audit Report [2018] No. 001266
Name of CPA	Zhou Lingzhi, Chen Baohua

Text of the Auditor's Report

Auditor's Report

Da Hua Audit Report [2018] No. 001266

All shareholders of Foshan Huaxin Packaging Co., Ltd.:

I. Opinion

We have audited the accompanying financial statements of Foshan Huaxin Packaging Co., Ltd. (together with its consolidated subsidiaries included in the consolidated financial statements, the "Company"), which comprise the parent's and consolidated balance sheets as at December 31, 2017, the parent's and consolidated income statements, the parent's and consolidated cash flow statements, the parent's and consolidated statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of Foshan Huaxin Packing Co., Ltd. as at Dec. 31, 2017 and the consolidated and parent business performance and cash flow for 2017.

II. Basis for Opinion

We conducted our audit in accordance with Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. In accordance with professional ethics for certified public accountants, we are independent with Foshan Huaxin Packing Co., Ltd. and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Current Period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit events we have identified during the audit include:

1. High altitude falling production safety accident event caused by a flash burn (hereinafter referred to as "3.4 Safety Accident");

2. Typhoon Hato disaster loss event

(I). "3.4" production safety accident event

1. Event description

As described in Note 7 and Note 54, Note VI to the financial statements and in Note (I), Note XII to the financial statements, when the construction company of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng"), a subsidiary of Huaxin Packaging, carried out the maintenance of 120m reinforced concrete chimney anti-corrosion project, 6 construction workers fell down from a high altitude and died due to a sudden flash burn. Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") paid a total compensation of RMB11.16 million to relatives of the victims for Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. By December 31, 2017, RMB9.76 million paid by Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") for the two companies above hadn't been repaid. Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") has brought a lawsuit against Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. for recovering the sum. As the case is under trial, whether the sum can be collected involves major judgment of the management, and as the accident led to abnormal suspension of production of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") and the loss incurred by shutdowns has a great impact on the profit of financial statements of the period, therefore, we will take this event as a key audit event.

2. Audit response

Audit procedures we implemented against the event include:

(1) Understand, evaluate and test the relevant internal control systems that Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") has established for the lawsuit and accounts receivable involved in the "3.4 Safety Accident" and the situation of their execution, so as to decide whether the internal control of the management of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") for providing of bad debt provisions over accounts receivable is conforming and valid;

(2) Check the bidding documents, notification of award and construction contract concerning the project, and understand whether the tender process of the company is conforming and whether project subcontracting and safety responsibility have been clearly prescribed;

(3) Check meeting minutes and public announcement concerning the "3.4 Safety Accident", and understand the concrete process of the safety accident and the impact of the handling results on the company;

(4) Check the proof of payment of compensation to the relatives of the victims, indemnity agreement signed with the relatives of the victims, bank statement record and other supporting materials;

(4) Send balance confirmation request to Jiangsu Tianxing and online inquire the credit information of Jiangsu Tianxing and other contractors and construction companies that are related to the case;

(6) Discuss the concrete situation of the lawsuit with relevant personnel of the Political and Legal Supervision Department and understand the undertaking of relevant accident liability and the possibility of collection of the compensation amount that the company paid for above liability companies;

(7) Send confirmation request to the external law firm and the responsible lawyer hired by the management of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") and obtain legal opinion, understand the progress of the case, and make a judgment on possible results of the lawsuit, the recovery and potential risks;

(8) Obtain the judgment and assessment of the management of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") on the collection of the compensation amount that the company paid for above liabilities companies, and analyze the rationality of such judgment and assessment based on the procedures above;

(9) Check the account handling of the loss incurred by abnormal shutdowns of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") caused by the "3.4 Safety Accident" and the accuracy of the loss amount.

Based on the audit executed, we draw the following conclusion: The judgment and assessment of the management on the collection of the compensation amount that the company paid for above liabilities companies is rational; the presentation and disclosure of the loss incurred by abnormal shutdowns of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") caused by the "3.4 Safety Accident" conforms to the accounting standard.

(II). Typhoon Hato disaster loss event

1. Event description

As described in Note 9 and Note 54, Note VI to the financial statements and in Note (II), Note XII to the financial statements, Zhuhai Hongta Renheng Packaging Co., Ltd. ("Hongta Renheng") and Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng"), subsidiaries of Huaxin Packaging, suffered from Typhoon Hato natural disaster on August 23, 2017; the stock and fixed assets of these two companies were damaged to some extent. At present, the companies are in negotiations with the property insurance company for specific compensation scheme. By December 31, 2017, the specific compensation amount hadn't been confirmed. Relevant property loss that the company may suffer from the typhoon natural disaster involves major judgment of the management, and the loss incurred by abnormal shutdowns of the company caused by the typhoon natural disaster has a great impact on the profit of financial statements of the period, therefore, we will take this event as a key audit event.

2. Audit response

Audit procedures we implemented against the event include:

- (1) Understand, evaluate and test the relevant internal control systems that the company has established for the typhoon Hato disaster loss event and the situation of their execution, so as to decide whether the internal control of the company over the judgment on relevant property loss that the company may suffer from the typhoon natural disaster is conforming and valid;
- (2) Obtain the internal relevant meeting minutes and public announcement of Zhuhai Hongta Renheng Packaging Co., Ltd. ("Hongta Renheng") and Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng"), and understand the loss of stock and fixed assets or maintenance expenditure in connection with the typhoon disaster;
- (3) Obtain the draft assessment report on the loss caused by the typhoon disaster issued by a third party assessment institution accepted by Zhuhai Hongta Renheng Packaging Co., Ltd. ("Hongta Renheng"), Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") and the insurance company, and review, analyze and calculate the accuracy and rationality of the compensation amount that Zhuhai Hongta Renheng Packaging Co., Ltd. ("Hongta Renheng") and Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") have obtained according to claim clauses in the insurance contract and preliminary assessment results;
- (4) Conduct a telephone interview with the responsible person of the third party assessment institution, understand the pricing basis and coverage of the damaged property claims from the assessor, discuss the rationality of the assessment method and critical assumptions, and understand the calculation process of agreed amount and claim amount;
- (5) Conduct a telephone interview with the responsible person of the insurance agency, and understand the specific progress of the claim, the selection of claim scheme and the judgment on estimated loss amount;
- (6) Obtain the insurance contract signed by Zhuhai Hongta Renheng Packaging Co., Ltd. ("Hongta Renheng"), Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") and PICC Property and Casualty Company Limited, and check contract terms such as insurance object and compensation scope;
- (7) Obtain the Calculation Table for the Amount of Losses Caused by the Typhoon Disaster prepared by the management of Zhuhai Hongta Renheng Packaging Co., Ltd. ("Hongta Renheng") and Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") and analyze the rationality of the judgment according to procedures above;

(8) Obtain relevant documents with respect to the application submitted by Zhuhai Hongta Renheng Packaging Co., Ltd. (“Hongta Renheng”) and Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) to Zhuhai Municipal Government for government subsidy for losses in relation to the typhoon disaster and the reply of the government, and verify the accuracy of the account handling;

(9) Check the account handling of the loss of stock and fixed assets or maintenance expenditure in connection with the typhoon disaster and the loss incurred by abnormal shutdowns caused by the typhoon disaster and the accuracy of the loss amount.

Based on the audit executed, we draw the following conclusion: the presentation and disclosure of the loss incurred by abnormal shutdowns caused by the typhoon disaster made by the management of the company conforms to the accounting standard.

IV. Other Information

The management of Foshan Huaxin Packing Co., Ltd. is responsible for the other information. The other information comprises all of the information included in the annual report for 2017 other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibility of Management and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises to make them a fair presentation and 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.

In preparing the financial statements, the management of Foshan Huaxin Packing Co., Ltd. is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

VI. CPA’ s Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,

design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Current Period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants (Special General Partnership)

CPA: Chen Baohua

(Engagement Partner)

CPA: Zhou Lingzhi

Beijing · China

March 15, 2018

II Financial Statements

Currency unit for the financial statements: RMB

1. Consolidated Balance Sheet

Prepared by Foshan Huaxin Packaging Co., Ltd.

December 31, 2017

Unit: RMB

Item	December 31, 2017	December 31, 2016
Current assets:		
Monetary funds	287,652,868.65	533,995,466.41
Settlement reserve		
Interbank lending		
Financial assets at fair value through profit/loss		1,571,341.66
Derivative financial assets		
Notes receivable	430,699,664.45	420,840,618.16
Accounts receivable	730,130,223.06	826,164,986.19
Accounts paid in advance	130,297,310.05	131,278,347.97
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserve		
Interest receivable	141,388.09	6,309,042.57
Dividends receivable		
Other accounts receivable	20,108,143.14	12,207,568.74
Financial assets purchased under agreements to resell		
Inventories	586,179,348.11	612,236,732.80
Assets held for sale		
Non-current assets due within one year		
Other current assets	44,160,627.03	217,871,497.69
Total current assets	2,229,369,572.58	2,762,475,602.19
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	627,643,841.04	288,700.00

Held-to-maturity investments		
Long-term accounts receivable		490,240,600.41
Long-term equity investments	8,294,365.17	252,775,695.55
Investment property	32,092,356.29	24,593,743.71
Fixed assets	2,302,301,389.40	2,451,794,797.91
Construction in progress	39,315,774.19	23,927,727.82
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	139,717,215.22	128,267,732.43
R&D expenses		4,045,184.55
Goodwill	11,547,305.29	11,547,305.29
Long-term deferred expenses	3,256,890.17	3,299,686.70
Deferred tax assets	27,594,599.01	24,333,954.14
Other non-current assets	5,235,044.33	5,147,078.23
Total non-current assets	3,196,998,780.11	3,420,262,206.74
Total assets	5,426,368,352.69	6,182,737,808.93
Current liabilities:		
Short-term borrowings	897,426,244.52	821,900,000.00
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Interbank borrowings		
Financial liabilities at fair value through profit/loss	2,394,879.25	
Derivative financial liabilities		
Notes payable	8,530,196.41	217,381,869.35
Accounts payable	341,247,162.39	383,383,165.05
Accounts received in advance	21,769,745.08	39,799,982.39
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	29,262,158.33	28,332,211.67
Taxes payable	21,397,103.10	36,087,856.83
Interest payable	7,865,380.83	11,446,093.94

Dividends payable	12,116,789.76	3,468,350.84
Other accounts payable	30,829,181.11	18,426,283.07
Reinsurance premiums payable		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within one year	199,834,258.85	798,066,823.66
Other current liabilities		
Total current liabilities	1,572,673,099.63	2,358,292,636.80
Non-current liabilities:		
Long-term borrowings	200,000,000.00	
Bonds payable		199,520,397.22
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable	16,825,912.17	3,137,995.76
Long-term payroll payable		
Special payables		
Provisions	1,366,445.61	2,117,357.80
Deferred income	30,773,540.27	18,225,377.45
Deferred tax liabilities	2,238,594.61	2,729,046.50
Other non-current liabilities		
Total non-current liabilities	251,204,492.66	225,730,174.73
Total liabilities	1,823,877,592.29	2,584,022,811.53
Owners' equity:		
Share capital	505,425,000.00	505,425,000.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	256,822,373.42	256,822,373.42
Less: Treasury shares		
Other comprehensive income	169,714.39	169,714.39

Special reserve		
Surplus reserve	192,647,450.61	190,275,071.84
Provisions for general risks		
Retained earnings	1,027,794,897.79	1,027,703,010.59
Equity attributable to owners of the parent	1,982,859,436.21	1,980,395,170.24
Minority interests	1,619,631,324.19	1,618,319,827.16
Total owners' equity	3,602,490,760.40	3,598,714,997.40
Total liabilities and owners' equity	5,426,368,352.69	6,182,737,808.93

Legal representative: Ren Xiaoping

Accounting head for this Report: Yang Chenglin

Head of the accounting department: Wen Yan

2. Balance Sheet of Parent Company

Unit: RMB

Item	December 31, 2017	December 31, 2016
Current assets:		
Monetary funds	27,448,820.30	8,409,271.75
Financial assets at fair value through profit/loss		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Accounts paid in advance		141,509.43
Interest receivable		5,950,976.18
Dividends receivable		
Other accounts receivable	187,029,661.31	979,766,646.61
Inventories		
Assets held for sale		
Non-current assets due within one year		
Other current assets	18,255.56	813,127.39
Total current assets	214,496,737.17	995,081,531.36
Non-current assets:		
Available-for-sale financial assets	627,643,841.04	288,700.00
Held-to-maturity investments		
Long-term accounts receivable		490,240,600.41

Long-term equity investments	1,070,107,442.14	1,314,515,693.41
Investment property		
Fixed assets	121,857.50	266,429.96
Construction in progress		
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	118,626.24	141,444.24
R&D expenses		
Goodwill		
Long-term deferred expenses	213,321.10	
Deferred tax assets		
Other non-current assets		
Total non-current assets	1,698,205,088.02	1,805,452,868.02
Total assets	1,912,701,825.19	2,800,534,399.38
Current liabilities:		
Short-term borrowings		100,000,000.00
Financial liabilities at fair value through profit/loss		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Accounts received in advance		
Payroll payable	5,701.66	
Taxes payable	1,698.89	2,491.38
Interest payable	4,511,037.89	9,164,692.68
Dividends payable	219,338.35	201,107.63
Other accounts payable	7,000,715.00	
Liabilities held for sale		
Non-current liabilities due within one year	199,834,258.85	798,066,823.66
Other current liabilities		
Total current liabilities	211,572,750.64	907,435,115.35
Non-current liabilities:		

Long-term borrowings		
Bonds payable		199,520,397.22
Of which: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Provisions		
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities		199,520,397.22
Total liabilities	211,572,750.64	1,106,955,512.57
Owners' equity:		
Share capital	505,425,000.00	505,425,000.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	250,531,482.00	250,531,482.00
Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	192,647,450.61	190,275,071.84
Retained earnings	752,525,141.94	747,347,332.97
Total owners' equity	1,701,129,074.55	1,693,578,886.81
Total liabilities and owners' equity	1,912,701,825.19	2,800,534,399.38

3. Consolidated Income Statement

Unit: RMB

Item	2017	2016
1. Operating revenues	3,583,157,646.37	3,607,758,904.01
Including: Sales income	3,583,157,646.37	3,607,758,904.01
Interest income		
Premium income		

Fee and commission income		
2. Operating costs	3,566,071,163.08	3,492,514,684.40
Including: Cost of sales	3,108,365,473.17	3,087,077,230.55
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and surtaxes	22,967,010.28	22,671,254.05
Selling expenses	182,923,723.55	181,963,908.31
Administrative expenses	125,476,808.28	121,123,804.25
Finance costs	121,627,924.65	83,749,628.37
Asset impairment loss	4,710,223.15	-4,071,141.13
Add: Profit on fair value changes (“-” means loss)	-3,966,220.91	1,571,341.66
Return on investment (“-” means loss)	34,641,907.00	19,399,881.52
Including: Share of profit/loss of associates and joint ventures	22,353,488.34	15,434,824.76
Exchange gains (“-” means loss)		
Return on disposal of assets (“-” means loss)	689,820.93	-192,618.05
Other revenues	13,791,511.79	
3. Operating profit (“-” means loss)	62,243,502.10	136,022,824.74
Add: Non-operating income	4,412,955.57	28,489,936.98
Less: Non-operating expense	29,256,836.85	3,228,428.07
4. Total profit (“-” means loss)	37,399,620.82	161,284,333.65
Less: expenses of income tax	2,171,808.47	22,182,851.07
5. Net profit (“-” means loss)	35,227,812.35	139,101,482.58
(I) net profit of going concern (“-“ means loss)	35,227,812.35	139,101,482.58
(II) net profit of discontinued operation (“-“ means net loss)		
Net profit attributable to owners of	18,637,865.97	61,324,088.11

the parent		
Minority interests' income	16,589,946.38	77,777,394.47
6. Other comprehensive income net of tax		
Other comprehensive income net of tax attributable to owners of the parent		
6.1 Other comprehensive income that will not be reclassified into profit/loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
6.2 Other comprehensive income to be subsequently reclassified into profit/loss		
6.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
6.2.2 Profit/loss on fair value changes of available-for-sale financial assets		
6.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective profit/loss on cash flow hedges		
6.2.5 Currency translation differences		
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests		
7. Total comprehensive income	35,227,812.35	139,101,482.58
Attributable to owners of the parent	18,637,865.97	61,324,088.11
Attributable to minority interests	16,589,946.38	77,777,394.47
8. Earnings per share		
8.1 Basic earnings per share	0.04	0.12

8.2 Diluted earnings per share	0.04	0.12
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Where business mergers under the same control occurred in this Reporting Period, the net profit achieved by the merged parties before the business mergers was RMBXXX, with the corresponding amount for the last period being RMBXXX.

Legal representative: Ren Xiaoping

Accounting head for this Report: Yang Chenglin

Head of the accounting department: Wen Yan

4. Income Statement of Parent Company

Unit: RMB

Item	2017	2016
1. Operating revenues	0.00	0.00
Less: Operating costs	0.00	0.00
Taxes and surtaxes	28,682.69	86,188.67
Selling expenses		
Administrative expenses	5,978,826.57	7,268,079.51
Finance costs	4,020,985.86	-5,464,736.96
Asset impairment loss		
Add: profit on fair value changes ("-" means loss)		
Return on investment ("-" means loss)	33,862,273.89	31,891,035.77
Including: Share of profit/loss of associates and joint ventures	22,059,145.80	14,902,809.13
Return on disposal of assets ("-" means loss)		
Other revenues		
2. Operating profit ("-" means loss)	23,833,778.77	30,001,504.55
Add: Non-operating income	2,449.44	
Less: Non-operating expense	108,053.64	51,740.15
3. Total profit ("-" means loss)	23,728,174.57	29,949,764.40
Less: Corporate income tax	4,386.83	
4. Net profit ("-" means loss)	23,723,787.74	29,949,764.40
(I) net profit of going concern ("-" means loss)	23,723,787.74	29,949,764.40
(II) net profit of discontinued operation ("-" means net loss)		
5. Other comprehensive income net of tax		

5.1 Other comprehensive income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
5.2 Other comprehensive income to be subsequently reclassified into profit/loss		
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
5.2.2 Profit/loss on fair value changes of available-for-sale financial assets		
5.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective profit/loss on cash flow hedges		
5.2.5 Currency translation differences		
5.2.6 Other		
6. Total comprehensive income	23,723,787.74	29,949,764.40
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2017	2016
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	3,500,810,257.77	3,268,199,277.63
Net increase in money deposits from customers and interbank placements		

Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets at fair value through profit/loss		
Interest, fees and commissions received		
Net increase in interbank borrowings		
Net increase in funds in repurchase business		
Tax refunds received	77,562.83	115,664.68
Cash received from other operating activities	66,763,328.29	105,881,727.37
Subtotal of cash inflows from operating activities	3,567,651,148.89	3,374,196,669.68
Cash paid for goods and services	3,151,914,393.79	2,484,300,356.98
Net increase in loans and advances to customers		
Net increase in funds deposited in the Central Bank and interbank placements		
Cash paid for claims of original insurance contracts		
Interest, fees and commissions paid		
Cash paid as policy dividends		
Cash paid to and for employees	198,978,451.99	203,207,101.35
Taxes paid	143,402,317.73	182,720,197.94
Cash paid for other operating activities	110,130,706.46	94,857,902.33
Subtotal of cash outflows from operating activities	3,604,425,869.97	2,965,085,558.60
Net cash flows from operating activities	-36,774,721.08	409,111,111.08
2. Cash flows from investing activities:		
Cash received from retraction of investments		

Cash received as return on investments	47,768,096.34	24,748,355.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,258,975.71	643,600.00
Net cash received from disposal of subsidiaries or other business units		105,000,000.00
Cash received from other investing activities	735,773,715.83	11,178,200.00
Subtotal of cash inflows from investing activities	784,800,787.88	141,570,155.66
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34,123,041.42	75,441,479.47
Cash paid for investment	396,000,000.00	
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	1,000,000.00	209,000,000.00
Subtotal of cash outflows from investing activities	431,123,041.42	284,441,479.47
Net cash flows from investing activities	353,677,746.46	-142,871,323.81
3. Cash flows from financing activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received as borrowings	1,625,060,964.89	1,269,760,258.44
Cash received from issuance of bonds		
Cash received from other financing activities	192,891,765.59	325,746,286.83
Subtotal of cash inflows from financing activities	1,817,952,730.48	1,595,506,545.27
Repayment of borrowings	2,061,300,029.05	1,360,092,249.37
Cash paid for interest expenses and distribution of dividends or profit	132,490,125.69	153,771,923.50
Including: dividends or profit paid by subsidiaries to minority interests	6,648,241.15	36,684,507.41
Cash paid for other financing	33,400,956.90	178,891,765.59

activities		
Sub-total of cash outflows from financing activities	2,227,191,111.64	1,692,755,938.46
Net cash flows from financing activities	-409,238,381.16	-97,249,393.19
4. Effect of foreign exchange rate changes on cash and cash equivalents	-10,516,433.29	2,152,982.50
5. Net increase in cash and cash equivalents	-102,851,789.07	171,143,376.58
Add: Opening balance of cash and cash equivalents	357,103,700.82	185,960,324.24
6. Closing balance of cash and cash equivalents	254,251,911.75	357,103,700.82

6. Cash Flow Statement of Parent Company

Unit: RMB

Item	2017	2016
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service		12,775,461.68
Tax refunds received		
Cash received from other operating activities	1,277,482,830.05	281,378,754.06
Subtotal of cash inflows from operating activities	1,277,482,830.05	294,154,215.74
Cash paid for goods and services		57,775,461.68
Cash paid to and for employees	3,744,473.34	4,178,230.91
Taxes paid	222,684.00	861,532.43
Cash paid for other operating activities	442,612,705.55	346,401,234.86
Subtotal of cash outflows from operating activities	446,579,862.89	409,216,459.88
Net cash flows from operating activities	830,902,967.16	-115,062,244.14
2. Cash flows from investing activities:		
Cash received from retraction of investments		
Cash received as return on investments	46,915,384.12	41,736,582.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	25,320.71	14,100.00

Net cash received from disposal of subsidiaries or other business units		105,000,000.00
Cash received from other investing activities	511,909,915.83	
Subtotal of cash inflows from investing activities	558,850,620.66	146,750,682.30
Cash paid to acquire fixed assets, intangible assets and other long-term assets	249,580.00	
Cash paid for investment	396,000,000.00	12,000,000.00
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	396,249,580.00	12,000,000.00
Net cash flows from investing activities	162,601,040.66	134,750,682.30
3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received as borrowings		100,000,000.00
Cash received from issuance of bonds		
Cash received from other financing activities		4,500,000.00
Subtotal of cash inflows from financing activities		104,500,000.00
Repayment of borrowings	899,980,000.00	100,000,000.00
Cash paid for interest expenses and distribution of dividends or profit	74,484,459.27	79,513,992.53
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities	974,464,459.27	179,513,992.53
Net cash flows from financing activities	-974,464,459.27	-75,013,992.53
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	19,039,548.55	-55,325,554.37
Add: Opening balance of cash and cash equivalents	8,409,271.75	63,734,826.12
6. Closing balance of cash and cash	27,448,820.30	8,409,271.75

equivalents		
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7. Consolidated Statement of Changes in Owners' Equity

2017

Unit: RMB

Item	2017												
	Equity attributable to owners of the parent										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			Retained earnings
		Preference shares	Perpetual bonds	Other									
1. Balance at the end of the prior year	505,425,000.				256,822,373.42		169,714.39		190,275,071.84		1,027,703,010.59	1,618,319,827.16	3,598,714,997.40
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the year	505,425,000.				256,822,373.42		169,714.39		190,275,071.84		1,027,703,010.59	1,618,319,827.16	3,598,714,997.40
3. Increase/decrease in the period (“-” means decrease)									2,372,378.77		91,887.20	1,311,497.03	3,775,763.00
3.1 Total comprehensive income											18,637,865.97	16,589,946.38	35,227,812.35
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by													

shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other													
3.3 Profit distribution								2,372,378.77		-18,545,978.77	-15,278,449.35	-31,452,049.35	
3.3.1 Appropriation to surplus reserve								2,372,378.77		-2,372,378.77			
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)										-16,173,600.00	-15,278,449.35	-31,452,049.35	
3.3.4 Other													
3.4 Internal carry-forward of owners' equity													
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other													

3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other													
4. Closing balance	505,42 5,000. 00				256,822 ,373.42		169,714 .39		192,647 ,450.61		1,027,7 94,897. 79	1,619,6 31,324. 19	3,602,4 90,760. 40

2016

Unit: RMB

Item	2016												
	Equity attributable to owners of the parent												Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interest	
		Preference shares	Perpetual bonds	Other									
1. Balance at the end of the prior year	505,425,000.00				256,822,373.42		169,714.39		187,280,095.40		988,580,048.92	1,570,706,431.79	3,508,983,663.92
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the year	505,425,000.00				256,822,373.42		169,714.39		187,280,095.40		988,580,048.92	1,570,706,431.79	3,508,983,663.92
3. Increase/decrease in the period ("-" means decrease)									2,994,976.44		39,122,961.67	47,613,395.37	89,731,333.48
3.1 Total comprehensive											61,324,088.11	77,777,394.47	139,101,482.58

income													
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other													
3.3 Profit distribution								2,994,976.44		-22,201,126.44	-30,163,999.10	-49,370,149.10	
3.3.1 Appropriation to surplus reserve								2,994,976.44		-2,994,976.44			
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)										-19,206,150.00	-30,163,999.10	-49,370,149.10	
3.3.4 Other													
3.4 Internal carry-forward of owners' equity													
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital)													

from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other													
3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other													
4. Closing balance	505,425,000.00				256,822,373.42		169,714.39		190,275,071.84		1,027,703,010.59	1,618,319,827.16	3,598,714,997.40

8. Statement of Changes in Owners' Equity of Parent Company

2017

Unit: RMB

Item	2017										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
1. Balance at the end of the prior year	505,425,000.00				250,531,482.00				190,275,071.84	747,347,332.97	1,693,578,886.81
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the year	505,425,000.00				250,531,482.00				190,275,071.84	747,347,332.97	1,693,578,886.81
3. Increase/decrease in the period ("-" means									2,372,378.77	5,177,808.97	7,550,187.74

decrease)											
3.1 Total comprehensive income										23,723,787.74	23,723,787.74
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other											
3.3 Profit distribution									2,372,378.77	-18,545,978.77	-16,173,600.00
3.3.1 Appropriation to surplus reserve									2,372,378.77	-2,372,378.77	
3.3.2 Appropriation to owners (or shareholders)										-16,173,600.00	-16,173,600.00
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus											

reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other											
4. Closing balance	505,425,000.00				250,531,482.00				192,647,450.61	752,525,141.94	1,701,129,074.55

2016

Unit: RMB

Item	2016										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
1. Balance at the end of the prior year	505,425,000.00				250,531,482.00				187,280,095.40	739,598,695.01	1,682,835,272.41
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the year	505,425,000.00				250,531,482.00				187,280,095.40	739,598,695.01	1,682,835,272.41
3. Increase/decrease in the period ("-" means decrease)									2,994,976.44	7,748,637.96	10,743,614.40
3.1 Total comprehensive income										29,949,764.40	29,949,764.40

3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other											
3.3 Profit distribution								2,994,976.44	-22,201,126.44	-19,206,150.00	
3.3.1 Appropriation to surplus reserve								2,994,976.44	-2,994,976.44		
3.3.2 Appropriation to owners (or shareholders)									-19,206,150.00	-19,206,150.00	
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											

3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other											
4. Closing balance	505,425, 000.00				250,531,4 82.00				190,275,0 71.84	747,347 ,332.97	1,693,578 ,886.81

III Company Profile

1. Place of Incorporation, Organization Form and Address of Headquarters

Foshan Huaxin Packaging 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 RMB290,000,000 at par value of RMB1 per share. The Company is joint-stock company who was registered in Administration Bureau for Commerce & Industry of Guangdong Province on June 21, 1999. 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 RMB439,500,000.00. In June 2007, the Company distributed dividends of 65,925,000 shares, thus, the total share capital was changed into RMB505,425,000.00. The credibility code of the Company is 914406007076822793.

As at 31 Dec. 2017, the Company accumulatively issued 505,425,000 shares in number and the registered capital stood at RMB505,425,000.

The Company's registered address is 2nd. Floor, No. 7 Building, No. 3 Luogeyuan Keyang Road, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan City, Guangdong Province.

2. Nature of Business and Main Operation Activities

The Company is in the industry of papermaking, paper packaging and printing.

Business scope: 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 or services include high-grade coated white cardboard and color packages printing products, and etc.

3. The Names of the Parent Company and Group Headquarter

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

4. Approval of Financial Statements

The financial statements have been approved by the Board of Directors on March 15, 2018.

6 subsidiaries were included in the consolidated financial statements of the current period, which are as follows:

Name of subsidiaries	Main premises	Registered place	Business nature	Shareholding percentage(%)		Method
				direct	indirect	
Huaxin (Foshan) Color Printing Co., Ltd.	Foshan	Foshan	Manufacturing	100.00	---	??
Zhuhai Huafeng Paper Co., Ltd.	Zhuhai	Zhuhai	Manufacturing	---	100.00	Business merger under the same control
Zhuhai Hongta Renheng Packaging Co., Ltd.	Zhuhai	Zhuhai	Manufacturing	41.9653	---	Business merger not under the same control
Kunshan Focai Packaging & Printing Co., Ltd.	Suzhou	Suzhou	Manufacturing	100.00	---	Established
Zhuhai Golden Pheasant Chemical Co., Ltd.	Zhuhai	Zhuhai	Manufacturing	---	51.00	Business merger not under the same control
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	Jiaying	Jiaying	Manufacturing	100.00	---	Established

Entity not Included into the Scope of Consolidation in the Current Period

Name	reason
Foshan Hongta Liyan Material Technology Co., Ltd.	cancelled

IV. Basis for the Preparation of Financial Statements

1. Preparation Basis

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with <The Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance and with each specific accounting standard, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting by China Securities Regulatory Commission (revised in 2014).

2. Continuation

The Company evaluated the processes constantly operation ability with 12 months since the Reporting Period. There was no significant suspect event to the continuation. Thus, the financial statement was prepared on the base

of the assumption of continuation

V. Important Accounting Policies and Estimations

Is the Company subject to any disclosure requirements for special industries?

No.

Indication of specific accounting policies and estimations:

Naught

1. 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.

2. Fiscal Period

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

3. Operating Cycle

The operating cycle of the Company is 12 months.

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) Each Transaction Items, Conditions and Economy Influence in Confirm with the Following One or Several Conditions, when Realizing Enterprise Combination by Steps. Several Transaction Events were Considered as a Package Deal and Conducted Accounting Method

- 1) The transaction was set up in the same time or had considered the influence to each others;
- 2) The transaction only stand as a whole, a perfect commercial result can be arrived.
- 3) A transaction incurred depends on at least one transaction occurred;
- 4) A transaction is not economical, however, together with other transaction are economical.

(2) 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 (including goodwill formed from the final control party purchase combined party) combining party on the combining date. 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.

In the event that the contingent consideration exists and the accrued liabilities or assets need to be recognized, the

difference between the accrued liabilities or assets and the settlement amount of subsequent contingent consideration shall adjust the capital surplus (capital premium or stock premium), and if the capital surplus is not sufficient, adjust the retained earnings.

Where the corporate merger and acquisition is realized through multiple transactions, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, on the date the right to control is obtained, the difference between the initial investment costs of the long-term equity investment and the carrying value of long-term equity investment before the M&A plus the carrying value of the new consideration paid to further get the shares on the date of M&A shall be charged against the capital surplus, and if the capital surplus is insufficient, the difference shall be charged against the remaining earnings. For the equity investment held before the date of M&A, the other comprehensive earnings accounted for using the equity method or recognized with the financial tool and accounted for and recognized using the measurement criteria shall not be accounted, until the investment is disposed, at which time, the investment shall be accounted on the same basis as the investee directly disposes related assets or liabilities; the changes to the owner's equity in the investee's net assets accounted and recognized using the equity method other than the net profit or losses, other comprehensive earnings and profit distribution, shall not be accounted, until the investment is disposed, at which time, it shall be carried over to the current profits or losses.

(3) Business Combination not Under the Same Control

The "acquisition date" refers to the date on which the Company actually obtains the control on the acquiree, that is, the date on which acquiree's net asset or the right of control of production decision are transferred to the Company. The right of control is thought to be transferred when the following conditions are simultaneously satisfied:

- ① The contract or agreement of business combination has been approved by the internal authority of the Company.
- ② The events of business combination in need of the approval of relevant national authorities have been approved.
- ③ The necessary property rights transfer has been made.
- ④ The Company has paid the most of the combination price, and the Company is able to pay the rest of it with plans.
- ⑤ The Company actually has controlled the finance and operation policy of the acquire, enjoying the corresponding benefits and taking corresponding risks.

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 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.

Where a merger of enterprises not under the same control is realized through multiple transactions step by step, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, and the equity investment held before the date of M&A is accounted using the equity method, the sum of the carrying value of the equity investment in the acquiree held before the date of the acquisition, plus the new investment costs on the date of the acquisition shall be the initial investment costs of the investment; other comprehensive earnings of the equity

investment held before the date of acquisition accounted and recognized using the equity method shall be accounted on the same basis as the investee directly disposes relevant assets or liabilities when the investment is disposed. If the equity investment held before the date of M&A is recognized using the financial tool and accounted using the measurement criterion, the sum of the fair value of the equity investment on the date of M&A plus the new investment costs shall be the initial investment costs at the date of M&A. The difference between the fair value and carrying value of the held equity and changes to the accumulated fair value charged against other comprehensive earnings shall be fully converted the current investment earnings at the date of M&A.

(4) Relevant Costs Incurred from the Business Combination

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. Methods for Preparing Consolidated Financial Statements

(1) Consolidation Scope

The scope of consolidated financial statements shall be confirmed based on the control. All subsidiaries (including individual entities controlled by the Company) of the Company shall be included into the consolidated financial statement.

(2) Consolidation Process

The Company based on the financial statements of itself and its subsidiaries, in line with other relevant information, prepare the consolidated financial statements. The consolidated financial statements the Company prepare was considered the whole enterprise group as a accountant entity, in line with the requirement of presentation, recognition and calculation in ASBE and a uniform accountant policies, reflect the financial situation, operation results and cash flows of the whole enterprise group.

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.

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. If standing at the point of view of enterprise group consolidated financial statement, and its recognition of common trade differ from the accounting entity of Company or subsidiary, adjust it from the point of view of the enterprise group.

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.

For subsidiary obtained by business combination under same control, adjust the financial statement on the base of book value of assets, liabilities (including goodwill formed by the financial control party purchasing the subsidiary) in financial statement of final control party.

For subsidiary obtained by business combination not under same control, adjust the financial statement on the base of identifiable net assets on purchase date

1.1. Increasing the subsidiaries or business

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 since the control party start to control.

Owing to the reasons such as the additional investment, for the subsidiaries could execute control on the investees under the same control, should be regard as the individuals participated in the combination that to execute adjustment by existing as the current state when the ultimate control party began to control. For the equity investment held before acquiring the control right of the combined parties, the confirmed relevant gains and losses, other comprehensive income and the changes of other net assets since the date of the earlier one between the date when acquiring the original equity right and the date when the combine parties and combined ones were under the same control to the combination date, should be respectively written down and compared with the beginning balance of retained earnings or the current gains and losses during the statement period.

During the Reporting Period, for the added subsidiary companies for business combination note 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 purchase date to the end of reporting year into consolidated income statement; and shall include the cash flow of the subsidiary companies from purchase date to the Reporting Period into the consolidated cash flow statement.

Owing to the reasons such as the additional investment that the subsidiaries could execute the control of the investees under different control, 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 which involved with the other comprehensive profits and changes of the other owners' equities except for the net gains and losses, other comprehensive profits as well as the profits distribution under the measurement of equity method before the acquisition date involves other comprehensive incomes, the relevant other comprehensive incomes and the changes of the other owners' equities are restated as investment gains for the period which the acquisition date belongs to, with the exception of the other comprehensive incomes occurred because of the changes of net liabilities or net assets of the defined benefit pension plans be re-measured for setting by the investees.

1.2. Disposal of the subsidiaries or business

1). General disposing method

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. Where the equity interests in the subsidiary held by the Company which involved with the other comprehensive profits and changes of the other owners' equities except for the net gains and losses, other comprehensive profits as well as the profits distribution when losing control, the relevant other comprehensive incomes and the changes of the other owners' equities are restated as investment gains for current period, with the exception of the other comprehensive incomes occurred because of the changes of net liabilities or net assets of the defined benefit pension plans be re-measured for setting by the investees.

2). Step by step disposing the subsidiaries

Where the Company loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, all the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions should be considered as a package deal for accounting treatment:

- A. The transaction was set up in the same time or had considered the influence to each others;
- B. The transaction only stand as a whole, a perfect commercial result can be arrived.
- C. A transaction incurred depends on at least one transaction occurred;
- D. A transaction is not economical, however, together with other transaction are economical.

When disposing each transaction of the Company loses control on its subsidiaries due to disposal of equity investments belonging to a package deal, should be considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control, when the Company losing control on its subsidiary.

When disposing each transaction of the Company loses control on its subsidiaries due to disposal of equity investments not belonging to a package deal, before which losing the control right, should execute the accounting disposal according to the partly dispose the equity investment of the subsidiaries under the situation not losing the control right; when losing the control right, should execute accounting disposal according to the general disposing method disposal of the subsidiaries.

3) Purchasing minority equities of the subsidiaries

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 which began to be calculated from the purchase date (or the combination date) in the subsidiary calculated according to the newly increased shareholding ratio, 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.

4) Disposing the equity investment of the subsidiaries under the situation not losing the control right

The differences 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.

7. Classification of Joint arrangements and Accounting Treatment of Joint Operations

8. 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.

9. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements

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.

On balance sheet 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. If it belongs available for sale foreign currency non-monetary items, the difference form of exchange record into other comprehensive income.

10. Financial Instruments

Financial instruments include financial assets and liabilities and equity instruments.

1. Categorization of Financial Instruments

The Company divides the financial instruments pursuant to the purpose to acquire the said financial assets or undertake the financial liabilities: 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; the investments which will be held to their maturity; accounts receivable; financial assets available for sale; and other financial liabilities.

2. Recognition Basis and Calculation Method of Financial Instrument

2.1. Financial assets (liabilities) measured by fair value and the changes included in the current gains and losses

The financial assets (or financial liabilities) that are measured by fair value with its change s recognized in the current profits and losses, including the transactional financial assets or financial liability and the financial assets or financial liabilities that are directly designated to be measured by fair value with its change recognized in the current losses and profits.

Transactional financial assets or financial liabilities mean the financial assets or financial liabilities that meet any one of the following conditions:

- 1). The purpose of obtaining the financial assets or financial liabilities is to sell, repurchase or redeem it in a short time;
- 2). It is a part of the identifiable combination of financial instrument that the company manages together and there

is objective evidence of a recent pattern of short-term profit making;

3). It belongs to the derivative financial instrument, but is designated as the derivative instrument of valid arbitrage instrument or belongs to the derivation instrument of financial guarantee contract, or it is connected to the equity instrument investment for which there is no quotation in active market and its fair value cannot be reliably measured, the derivative tool that shall be settled through delivering the equity instrument excluded.

Only if one of the following conditions is met, could the financial assets or financial assets be designated as the financial assets or financial liability that shall be measured by fair value with changes recognized in profit or loss in the period:

1). The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liability;

2). The official written document of risk management or investment strategies of the enterprise concerned have described that the said combination of financial assets, the combination of financial liabilities, or the combination of financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and will be reported to the key management personnel.

3). The mixed instruments include one or more embedded derivative instrument, unless the embedded derivative instrument does not materially change the cash flow of the mixed instrument, or it is obvious that the embedded instrument shall not be split from the relevant mixed instrument;

4). The mixed instrument that include the embedded derivative instrument that shall be split but cannot be separately measured when it is obtained or on the subsequent date of balance sheet.

For the financial assets or financial liabilities that is measured by fair value with its change recognized in the current profits or losses, the company will use the fair value (deducting the cash dividend that is announced but not issued, or the bond interest that is due but has not be claimed) as the initially recognized amount, and the related transaction costs shall be recognized in the current profits and losses. The interest or cash dividend obtained during the holding period shall be recognized as the investment earning, and at the end of the period, the change in fair value shall be recognized in the current profits and losses. At the time of disposal, the difference between its fair value and the initially recognized amount shall be recognized as the investment earnings, and at the same time, the change in fair value shall be recognized as the profit or loss.

2.2. Accounts receivable

Accounts receivable refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable.

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.

2.3. Held-to-maturity investments

Held-to-maturity investment means those non-derivative financial assets with fixed maturity date and fixed or determinable recoverable amount and that company has both the positive intention and the ability to hold to maturity.

When the Company obtains the held-to-maturity investment (less the unpaid interest on bonds which has been accrued), the sum of the fair value and related transaction costs will be treated as initial confirmation amount. During the holding period, interest income shall be calculated in accordance with the amortized cost and the actual

interest rate and included in investment income. The actual interest rates are determined upon acquisition and remain unchanged during the expected holding period or a shorter period if applicable. Difference between the proceeds received and book value of the investment is charged to investment income.

If the amount of other type of financial assets that are acquired through the disposal or reclassification of held-to-maturity investments is greater than the total amount of all held-to-maturity investments held by the Company prior to sales or reclassification, after such disposal or reclassification, the remaining held-to-maturity investments shall be reclassified into available-for-sale financial assets; on the date of reclassification, the difference between book value of the investment and the fair value shall be charged to investment income except the following circumstances:

- 1). The sales date or reclassification date is close to the maturity date or redemption date (e.g., with three months prior to the maturity date) and the change of market interest rate didn't exert a great influence on the fair value of the investment.
- 2). The enterprise has got back almost all the initial principal in the mode of payment as specified in the contract.
- 3). The sales or reclassification is resulted from an independent event which is out of the control of the enterprise, will not occur repeatedly based on the predication and is difficult to estimate reasonably.

2.4. Available-for-sale financial assets

Available-for-sale financial assets were referred to the non-derivative financial assets available for sale, as well as the financial assets other than the other financial asset classes in the initial recognition.

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. Interest or cash dividend received in holding period were recognized as investment income. Profits or losses from the change in fair value of available-for-sale financial assets except impairment losses and translation balance from foreign monetary financial assets, directly record into other comprehensive income. When disposing available-for-sale financial assets recorded the difference between the price and the book value of the financial assets into investment profits or losses, meanwhile, roll out the disposal part of the accumulative amount of change in fair value originally and directly recorded into other comprehensive income and record into investment profits or losses.

The equity instrument investment without offer and its fair value without reliable calculation, and derivative financial assets linked to and settled by the equity instruments, measured at cost.

2.5. 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:

- (1) The carrying amount of the transferred financial asset;
- (2) 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:

- (1) The carrying amount of the portion whose recognition has stopped;
- (2) 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 financial assets and liabilities in an active market, the closing quoted prices in the active market shall be used to determine the fair values thereof. The closing quoted prices in the active market includes the quoted prices of relevant assets and liabilities which are easy to be acquired from exchange, dealer, broker, industrial group, pricing institution or regulatory institution regularly and which can represent the market trading that occur actually and frequently on the basis of fair trade.

The fair value of initially obtained or derivative financial assets or borne financial liabilities shall be determined according to the market transaction price thereof;

Where there is no active market for a financial assets and financial liabilities, the Company concerned shall adopt value appraisal techniques to determine its fair value. When evaluating, the Company adopt the valuation technique with sufficient useful data and supported by other information which suitable for the current situation, choose a input in concern with the characteristics of assets or liabilities considered in relevant assets or liabilities

transaction with the market players, and as much as possible, give prior to using the relevant observable input under the situation that, the observable input value or it is not feasible to obtain, use unobservable input value.

6. 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.

The objective evidences of impairment provision of financial assets include but not limited to:

1. Issuer or debtor had serious financial difficulties;
2. The debtor violates the items of the contract, such as violate a treaty or overdue to repay the interest or principal, etc;
3. The creditor considering the factors of economy or law makes concession to the debtor who had serious financial difficulty;
4. The debtor probably may go out of business or had other financial recombination;
5. Due to the issuer had serious financial difficulty; the financial assets cannot continue to trade in the active market;
6. The cash flow of a kind of asset in a group of financial assets decrease or not was beyond recognition, however, after conducting the overall evaluation in line with the public data, the estimate cash flow of the group of financial assets actually decrease and gaugeable since initial recognition, if the repay ability of the debtor steadily worsened, or the increase of unemployment rate, the decrease in the price of guaranty or the industry downturn that the district or country the debtor in, etc;
7. The great disadvantage change in technology, market, economy or legal environment that operation place that issuer of equity instrument locate at, which lead to the irrecoverable of investment cost of the equity instrument investors;
8. The fair value occurred seriously or non-transient decrease;

The specific impairment provision methods of financial assets were as follows:

(1) Provision for impairment of available-for-sale financial assets:

On balance sheet date, the Company separately examines each available-for-sale equity instrument investment. If the fair value of the equity instruments which invests on the balance sheet date is lower than its initial investment cost for more than 50% (including 50%) or lower than its initial investment cost for the duration time for more than 1 year (including 1 year), which indicates that it had occurred impairment; if the fair value of the equity instruments which invests on the balance sheet date is lower than its initial investment cost for more than 20% (including 20%) but not reaches at 50%, the Company will comprehensively considerate the other relevant factors such as the price volatility etc. and will judge the equity investment whether had occurred impairment.

The aforesaid "cost" recognized in line with the initial investment cost of available for sale financial instrument deducting principal recovered, amount amortized and the impairment losses recorded into profits or losses. The fair value of available-for-sale equity instrument investments that do not exist in active market shall be determined in accordance with the present value obtained from the discount of future cash flow with the present market return of similar financial assets; the fair value of available-for-sale equity instrument investment that has provided a quoted price in active market shall be determined in accordance with the final closing price of stock exchange, unless the available-for-sale equity instrument investment has a restricted stock trade period. The fair value of available-for-sale equity instrument investment with a restricted stock trade period shall be determined in accordance with the final closing price of stock exchange less the compensation claimed by market participants who have to bear the risk that they can't sale the equity instrument at a public market in the specified period.

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated,

the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out of the owners' equities and recorded into the profits and losses of the current period. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period.

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 as for the impairment-related losses incurred to a sellable equity instrument investment, should be reversed by equity when the value raised of the equity instruments; however, the impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, may not be reversed.

(2) Impairment provision for held-to-maturity investments

If any objective evidence shows that a held-to-maturity investment has been impaired, the impairment loss shall be recognized at the gap between its book value and the present value of its estimated future cash flow; after the impairment provision is made, if there is any evidence proving that the value of the said held-to-maturity investment has been restored, the impairment loss as originally recognized may be reversed and be recorded into the profits and losses of the current period, but the reversed book value shall not be any more than the post-amortization costs of the said held-to-maturity investment on the day of reverse under the assumption that no provision is made for the impairment.

7. The Offset of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are shown separately in balance sheet. However, if they satisfy the following conditions, shown the net amount in the balance sheet after the offset;

- (1) The Company had legal rights of offsetting the recognition amount, and the legal right is executable in recently;
- (2) The Company plans to settle at net amount, or meanwhile realize the financial assets and pay off the financial liabilities.

8. Distinction and Relevant Handling of Financial Liabilities and Equity Instrument

In accordance with the accounting standards of financial instruments, as per the contract terms of and the economic substance reflected by (rather than by legal form only) financial instruments such as issued preferred stock and perpetual capital securities, based on the definition of financial liabilities and equity instrument, the company classified financial instrument or its components as financial liabilities or equity instrument during the initial confirmation:

1. Any Issued Financial Instrument that Meets one of the Following Conditions shall be Classified as Financial Liabilities:

- (1). Contractual obligation of delivering cash or other financial assets to other party;
- (2). Contractual obligation of exchanging financial assets or financial liabilities with other party under any potential adverse condition;
- (3). Non-derivative instrument contract which must or may use the enterprise's own equity instrument for settlement; and, the enterprise shall deliver a variable number of the enterprise's own equity instruments pursuant to the contract;

(4). Derivative instrument contract which must or may use the enterprise's own equity instrument for settlement, except derivative instrument contracts which substitute a fixed number of own equity instruments for a fixed amount of cash or other financial assets.

2. Any Issued Financial Instrument that Meets the Following Conditions shall be Classified as Equity Instrument:

(1). The financial instrument isn't subject to contractual obligation of delivering cash or other financial assets to other party or exchanging financial assets or financial liabilities with other party under any potential adverse condition;

(2). Where the financial instrument must or may be settled with the enterprise's own equity instrument, if the financial instrument is a non-derivative instrument, a contractual obligation of delivering a variable number of the enterprise's own equity instruments for settlement is not included; if the financial instrument is a derivative instrument, the enterprise can only settle the financial instrument by exchanging a fixed number of own equity instruments with a fixed amount of cash or other financial assets.

3. Distinction of Financial Liabilities and Equity Instrument

A contractual obligation, the performance of which by delivering cash or other financial assets can't be avoided unconditionally, conforms to the definition of financial liabilities. Where a financial instrument must or may use the enterprise's own equity instrument for settlement, if it is a substitute for cash or other financial assets, it belongs to financial liabilities; if it is for the holder of the instrument to enjoy the residual equity in the assets after the issuer deducts all liabilities, it belongs to equity instrument.

4. Accounting Treatment Method

For a financial instrument which is classified as an equity instrument, its interest expenditure or dividend distribution shall be deemed as the profit distribution of the issuer, its repurchase and cancellation shall be deemed as the change in equity; transaction costs such as the service charge and commission shall be deducted from the equity;

For a financial instrument which is classified as financial liabilities, in principle, its interest expenditure or dividend distribution shall be handled as per borrowing costs; gains or losses arising from its repurchase or redemption shall be included in current profits and losses; transaction costs such as service charge and commission shall be included in initially measured amount of the instrument issued.

11. Accounts Receivable

(1) Bad Debt Provision for Individually Significant Accounts Receivable

Judgment basis or monetary standards of provision for bad debts of the individually significant accounts receivable	An account receivable exceeds 10 million, or another account receivable exceeds five million
Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end	An impairment test shall be conducted on the account receivable and the difference of the present value of expected future cash flow 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, classify into relevant group and withdraw bad debt provision.

(2) Accounts Receivable which the Bad Debt Provision is Withdrawn by Credit Risk Characteristics

Name of the group	Bad debt provision method
Amounts of related-parties within the scope of consolidation	
Aging analysis method group	Aging analysis method

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

☒ Applicable ☐ Not applicable

Aging	Withdrawal proportion for accounts receivable	Withdrawal proportion for other accounts receivable
1-3 months	0.00%	0.00%
4-12 months	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
Over 3 years	50.00%	50.00%

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

(3) Accounts Receivable with an Insignificant Single Amount but for which the Bad Debt Provision is Made Individually

Reason of individually withdrawing bad debt provision:	There existing evidence that the Company unable to recover the account receivable in line with the original items.
Withdrawing bad debt provision method	At the gap between the carrying amount and the present value of the estimated future cash flow (lower) of the account receivable

12. Inventory

Is the Company subject to any disclosure requirements for special industries?

No.

1. Category

Inventory was referred to the finished goods or commodities for sale, products in the process, materials in production or providing services, etc. Mainly include: raw materials, revolving materials, merchandise inventory, goods in process, goods sent out, goods in outside processing and etc.

2. Pricing Method for Outgoing Inventories

When obtaining, the cost was considered as the initial calculation, including purchase cost, conversion cost and other cost. Adopting the weighted average method for pricing when outgoing inventories according to the end of the month at a time

3. Inventory System for Inventories:

Inventory system: Perpetual inventory system

4. Amortization Method of the Low-value Consumption Goods and Packing Articles

One-off amortization method for the low-value consumption goods;

One-off amortization method for the packaging articles; and

One-off amortization method for other revolving materials.

5. 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.

13. Divided as Assets Held for Sale

Non-current assets or disposal group are confirmed to be the components held for sale when the following conditions are simultaneously satisfied:

- (1) According to the convention of similar transactions selling this kind of assets or disposal group, they can be sold instantly in such conditions.
- (2) Sale is extremely likely to happen, that is, the Company has made the decision of a sale plan, and got the confirmed purchase commitment. It is estimated that the sale will be finished within 1 year.

The confirmed purchase commitment refers to the purchase agreement with legally binding signed with other parties, which includes trading price, time, and fairly severe punishment for default to minimize the possibility of significant adjustment or revocation of the agreement.

14. Long-term Equity Investment

1. The Recognition of Investment Cost

- (1) The relevant accounting policy of long term equity investment formed by enterprise combination, please refer to “Accounting disposal method of the enterprise merger under or not under the same control” under Note 5.

(2) 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 includes the cost, tax and other necessary expense directly relevant to gaining long-term equity investment

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.

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 Method

(1) Long-term equity investment measured by adopting cost method

The Company adopts cost method for measurement of the long-term equity investment controlled by invested entities, and shall be calculated at its initial investment cost, add or withdraw investment and adjust the cost of the long-term equity investment.

The return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.

(2) Long-term equity investment measured by adopting equity method

The Company adopts the equity method to measure the long-term equity investment of the associated enterprises and joint ventures. for part of equity investment of associated enterprise through risk investment institutions, mutual funds, trust companies or directly held by including within unit-linked insurance fund similar entities, adopts fair value method, and its change records into profits or losses.

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.

The Company should respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve.

The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment and according to the accounting policies as well as the accounting period of the Company, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net

profits of the invested entity. For the transaction happened between the Company and associated enterprises as well as joint ventures, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Company according to the calculation of the enjoyed proportion, should offset and recognized the investment gains and losses on the basis.

The Company shall handle to the net losses of the invested enterprise recognized by it: A. offset book value of long-term equity investment; B. 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 (reminder: should clearly confirm the specific content and the recognition standard of the sort of long-term rights and interest) which substantially form the net investment made to the invested entity, to offset book value of long-term receivables items; and C. 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.

The investee profit in the subsequent periods, the Company after deducting unrecognized share loss amount, adopts the aforesaid progress. Writes off the book value of estimated liabilities recognized, recovers others actual form the book value of long term equity and long term equity investment of the net investment of investee, and recovers the recognition of investment income.

3. The Accounting Method Transfer of Long-term Equity Investment

(1) Fair value calculation transfer to equity method

The Company's original holding of investee's equity investment that without control, common control or significant influence recognized at financial tools and accounted at standards of measurement, due to the additional investment and other reasons that had significant influence to the investee or implement of common control but not form control of the investee, in line with the Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments, recognized the total of original holding of fair value of equity investment plus the newly increase investment cost, which considered as the initial investment cost changing measurement at equity method.

The difference between the fair value and carrying value of the original held equity investment classify as available for sale financial assets, and changes to the accumulated fair value charged against other comprehensive earnings shall be fully converted the current profits or losses change measurement at equity method.

The initial investment cost measured at equity method which smaller than the difference between the fair value of net identifiable assets on additional date the investee enjoyed recognized in line with the new shareholding proportion measurement after additional investment, adjust the book value of long term equity investment, and record into current non-operation income.

(2) Fair value calculation or equity method accounting transfer to cost method

The Company's original holding of investee's equity investment that without control, common control or significant influence recognized at financial tools and accounted at standards of measurement, or original holding of long term equity investment to joint venture or associated enterprise, due to the additional investment and other reasons that control the investee not under same control, When preparing individual financial statement, in line with the total of the book value of equity investment original held plus the newly increase investment cost, which considered as the initial investment cost changing measurement at cost method.

The original held of equity investment was recognized as other comprehensive income due to adopting equity accounting, when disposing the investment adopt accounting treatment on the same basis with that the investee directly disposing the relevant assets or liabilities.

The equity investment before purchase date, adopt accounting treatment in line with the stipulations of Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments,

and the change in fair value originally recorded into other comprehensive income record into current profits or losses when changing accounting method as cost method .

(3) Equity method transfer into fair value calculation

The remained equity due to the disposal of part of equity and other reason losing common control or significant influence to the investee, calculated in line with the Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments after disposal. The difference between the fair value and book value on the date of losing common control or significant influence was record into current profit or losses.

The original held of equity investment was recognized as other comprehensive income due to adopting equity accounting, when terminating adopt equity method, adopt accounting treatment on the same basis with that the investee directly disposing the relevant assets or liabilities.

(4) Cost method transfer into equity method

The remained equity implementing common control or had significant influence to the investee, due to the Company's disposal of part of equity investment losing the control to the investee, changes accounting treatment as equity method, When preparing individual financial statement, adjusts the remained equity adopt equity method since gained.

(5) Cost method to fair value measurement

The remained equity cannot implementing common control or had significant influence to the investee, due to the Company's disposal of part of equity investment losing the control to the investee, calculated in line with stipulation of the Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments, when preparing individual financial statement, The difference between the fair value and book value on the date of losing control was record into current profit or losses.

4. Disposal of Long-term Equity Investment

When disposing long term equity investment, the difference between the book value and actual purchase price shall be record into current profits or losses. The equity investment adopting equity accounting, when disposing the investment, adopt accounting treatment on the same basis with that the investee directly disposing the relevant assets or liabilities and conducts accounting treatment to part of them originally recorded into other comprehensive income in line with relevant proportion.

Each transaction items, conditions and economy influence in confirm with the following one or several conditions, several transaction events were considered as a package deal and conducted accounting method;

1. The transaction was set up in the same time or had considered the influence to each others;
2. The transaction only stand as a whole, a perfect commercial result can be arrived;
3. A transaction incurred depends on at least one transaction occurred;
4. A transaction is not economical, however, together with other transaction are economical.

For that the Company's disposal of part of equity investment losing the control to the investee and not belonging to a package deal, conducts accounting treatment to the individual financial statement and consolidated financial statement respectively:

- (1). In the individual financial statement, for the disposal equity, the difference between the book value and actual purchase price was recorded into current profits or losses. The remained equity cannot implementing common control or had significant influence to the investee, changes accounting treatment as equity method, when preparing individual financial statement, adjusts the remained equity adopt equity method since gained, the remained equity cannot implementing common control or had significant influence to the investee, after disposal, calculated in line with stipulation of the Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments, the difference between the fair value and book value on the date of losing

control was record into current profit or losses.

(2). In consolidated financial statement, for each transaction before losing the control to the subsidiary, the difference between the disposal price and the corresponding net assets share enjoyed of subsidiary when disposing long term equity investment since purchase date or start calculation, adjusts capital reserve (stock premium), capital reserve is insufficient for write-downs, adjusts the retained earnings. The difference between the consideration obtained in the equity disposal, plus the fair value of the remaining equities, less the Company's share of net assets net assets share enjoyed of subsidiary when disposing long term equity investment since purchase date or start calculation according to the former shareholding ratio, is recorded into the investment gains for the period when the control ceases, meanwhile, writes down goodwill. Other comprehensive income related to former subsidiary's equity investment, transfer into current investment income when the control ceases.

When disposing each transaction of the Company losses control on its subsidiaries due to disposal of equity investments belonging to a package deal, should be considered as a transaction of disposing equity investment of subsidiary and losing control, conduct accounting treatment, conducts accounting treatment to the individual financial statement and consolidated financial statement respectively:

(1). In individual financial statement, the difference between each disposal price before losing control and the book value of corresponding long term equity investment in the disposal of equity, recognized as other comprehensive income, when the control ceases, transfers into current profits or losses of the period of losing control.

(2). In consolidated financial statement, the difference between each disposal price before losing the control, and the corresponding net assets share enjoyed of subsidiary when disposing long term equity investment, recognized as other comprehensive income, when the control ceases, transfers into current profits or losses of the period of losing control.

5. Judgment Standard of Joint Control and Significant Influences

If the Company implements a collective control arrangement together with other participants in line with relevant agreement, and the activity decision with significant influence to the reward of the arrangement only exist when the participants who sharing the control power have a common agreement, which was considered as the Company and the participants are in control of a arrangement, and the arrangement was belong to the joint venture arrangement.

The joint venture arrangement arrived at individual entity, in line with the relevant agreements, when judging the power the Company enjoy the net assets in the individual entity, considers the individual entity as joint venture, and adopts equity method. If, in line with the relevant agreements, when judging the power the Company does not enjoy the net assets in the individual entity, considers the individual entity as joint operation, the Company recognized the relevant items of the profits of joint operation, and conducts accounting treatment in line with the stipulations of relevant Accounting Standards for Business Enterprises.

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. The Company through the follow one or several situations and comprehensively consider all the facts and conditions to judge the significant influence to the investee. (1). Have representatives in the Board of Directors of investee or similar organ of authority; (2). Take part in the establish progress of finance and operation policies of investee; (3). Have significant transaction with the investee; (4). Send administrators to the investee; (5). Provide key technology information to investee.

15. Investment Property

Measurement mode of investment real estates

Measurement of cost method

Depreciation or amortization method

The term "investment real estate" refers to the real estate held for generating rent and/or capital appreciation, including the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation, and the right to use any building which has already been rented. Besides, the vacant buildings held by the Company for renting are also presented and listed as investment real estate if the Board of Directors made the written decision to confirm it to be used for renting with no change of the purposes in the short term.

The investment real estate of the Company is regarded as entry value according to its costs. The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use.

The Company adopts the cost method in the subsequent measurement of investment property. In line with the estimate useful life and net ratio of remaining value withdrawing depreciation or amortization. The lists of investment property in line with the estimate useful life and net ratio of remaining value withdrawing depreciation or amortization are as follows:

Category	Estimate useful life (year)	Estimate net ratio of remaining value	The rate of depreciation (amortization)
Houses and buildings	30-40	5%	2.38%-3.17%

When the usage of investment real estate is changed for being used for its own, the Company will convert the investment real estate into fixed assets or intangible assets from the date of change. When the usage of real estate used for its own was changed for generating rents or capital appreciation, the Company will convert fixed assets or intangible assets into investment real estate from the date of change. The book value before converting is taken as entry value after converting when converted.

If an investment real estate is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate shall be terminated. The disposal income of investment real estate's sales, transfer, discards, or damage deducting the book value of the investment real estate as well as the relevant taxes shall be included the current profits and losses.

16. 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: (1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; (2) The cost of the fixed asset can be measured reliably

(2) Depreciation Method

Category	Depreciation method	Useful life	Expected net salvage value	Annual depreciation
Houses and buildings	Straight-line depreciation	30-40	5%	2.375%-3.17%
Machinery equipment	Straight-line depreciation	10-25	5%	3.80%-9.50%
Transportation	Straight-line depreciation	5	5%	19.00%
Electronic equipment and other	Straight-line depreciation	5-10	5%	9.50%-19.00%

(3) 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, is shall be recognized as an asset acquired under finance leases: (1) the ownership of the leased asset is transferred to the Company after the term of lease expires; (2) 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; (3) the lease term covers the major part of the use life of the leased asset; (4) 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. (5) When nature of the leased asset is special, if there is no great transform, only the Company can use it, As for the fixed assets by finance lease, 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. When the negotiation of lease and signing lease contract occurred simultaneously, the handling charge, attorney's fees and traveling expenses, stamp duty, and other direct cost belonging to the lease project, recorded into value of leased assets. The unrecognized financing cost was amortized by effective interest method at each period within the lease term. The Company adopting depreciation policies in concern with self-owned fixed assets withdraw depreciation of fixed assets under financing lease. The ownership of fixed assets under financing lease reasonably ensured to obtain the expiration of the lease term, withdraw depreciation within useful life; The ownership of fixed assets under financing lease cannot reasonably ensured to obtain the expiration of the lease term, withdraw depreciation within the shorter one of useful life and lease term.

17. Construction in Progress

Is the Company subject to any disclosure requirements for special industries?

No.

1. Initial Measurement of Construction in Progress

The valuation of the Company's self-construction of construction in progress is in line with the actual cost which was formed by all the necessary expenditures that the asset of construction arrived at the expected useful status, including cost of engineering materials, labor cost, and the relevant cost of tax, the borrowing cost of should being capitalization and the indirect cost should be amortized.

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.

18. Borrowing Costs

1. Recognition Principle of Capitalization of Borrowing Costs

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:

- (1). 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;
- (2). The borrowing costs have already incurred; and
- (3). 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 cannot 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

Interest of specific loan (deducting interest income of loan capital deposit in the bank or investment income obtained from temporary investment) and its subsidiary expenses before the construction or production of assets eligible for capitalization arrived at available for use or sale, capitalized them.

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.

19. Biological Assets

20. Oil and Gas Assets

21. Intangible Assets

(1) Pricing Method, Useful Life and Impairment Test

Intangible assets refer to identifiable non-monetary assets that are owned or controlled by the Company without material state, including right to use land sites, software and non-patented technology.

1. Initial Measurement of Intangible Assets

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.

2. Subsequent Measurement

The Company shall analyze and judge the service life of intangible assets, classify as intangible assets with

limited service life and intangible assets with uncertain service life

(1). Intangible assets with limited service life

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. Estimated useful life of intangible assets with limited useful life:

Item	Estimated useful life	Basis
Software	2-10 years	Estimated useful life
Land use right	50 years	Property ownership certificate or land use certificate
Non-patent right	10 years	Estimated useful life

The Company shall, at the end of every year, check the useful life and the amortization method of the said intangible assets with limited service life. If there is any difference between the expected useful life and the previously estimated data, the expected useful life shall be adjusted.

After check, useful life and the amortization method of the said intangible assets remained the same as the previous valuation.

(2). Intangible assets with uncertain service life

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 and does not conduct the amortization method of the said intangible assets with uncertain service life. If after check, useful life of the said intangible assets remained in uncertainty, the Company shall make an impairment test at the end of year.

After check, the Company has no intangible assets with uncertain service life.

(2) Accounting Policies of Internal R&D Expenses

1. Standard for Classifying Research Phase and Development Phase of the Company's R&D Projects

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.

The expenditures of R&D stage in internal R&D project, was recorded into current profits or losses.

2. Standard for Capitalization of Development Expenditures

The expenses in R&D stage for its internal research and development projects of the Company may be capitalized when they satisfy the following conditions simultaneously:

- (1). It is feasible technically to finish intangible assets for use or sale;
- (2). It is intended to finish and use or sell the intangible assets;
- (3). 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;
- (4). 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
- (5). The development expenditures of the intangible assets can be reliably measured.

The expenses not meet the aforesaid conditions, record into current profits or losses. R&D expenses had recorded into profits or losses in previous period, was derecognized as assets in the subsequent period. The capitalized expenses in R&D stage had been listed as R&D expenses in the balance sheet; transfer into intangible assets since the project arrived at the date expected use.

22. Impairment of Long-term Assets

The Company shall, on the day of balance sheet, make a judgment on whether there is any sign of possible assets impairment. If there are signs of long-term assets impairment, on the basis of single item assets, estimate the recoverable amount; for it is difficult to estimate the recoverable amount of an individual asset, determines the recoverable amount of an asset group based on the assets belongs to the group.

The estimation of recoverable amount of assets, recognized according to the higher between the net present value after its fair value minus the disposal expenses and the present value of expected future cash flow of an asset.

The measurement results of the recoverable amount show that, the recoverable amount lower than the book value, writes down the book value of long term assets to recoverable amount which recognized as assets impairment losses, record into current profits or losses. Meanwhile, withdraw relevant assets impairment provision. Once the assets impairment losses are recognized, it will no longer being switch back in subsequent accounting period.

After the recognition of assets impairment losses, the depreciation and amortization expenses of impairment assets adjusted in future period, which ensure the assets systematically amortized the book value of assets after the adjustment (after deducting estimate net salvage) within the remaining service life.

For intangible assets with uncertain goodwill or service life formed by enterprise combination, whatever there is sign of impairment conduct impairment test every year.

When conducting impairment test to the goodwill, share the book value of goodwill to the group assets or combination of group assets estimate benefited from synergistic effect of enterprise combination. When conducting impairment test to the relevant group assets or combination of group assets including goodwill, if there is sign of impairment, conduct impairment test to those excluding goodwill, calculate recoverable amount and compare to the relevant book value, recognize the relevant impairment losses. Then, conduct impairment test to the relevant group assets or combination of group assets including goodwill, compare the book value(including the part of book value of goodwill amortized and its recoverable amount, if the recoverable amount lower than its book value, recognize the impairment losses of goodwill.

23. Long-term Unamortized Expenses

1. Amortization Method

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. Long-term deferred expense shall be straight-line amortized by stage within benefit period.

2. Amortization Period

Type	Amortization period	Remark
Expenses on decoration of rented plants	5 years	According to actual benefit period
Technical service expenses	5 years	According to actual benefit period
Expenses on maintenance and alteration	3-5 years	According to actual benefit period

24. Payroll

(1) Accounting Treatment of Short-term Compensation

Short-term compensation refers to the payroll payment of the employee providing service during the end of Reporting Period within 12 months that the Company should pay, excepting the welfare after demission and termination benefits. During the accounting period that the employees providing the service, should be calculated and recognized the corresponding payroll amount according to the stated withdrawal basic and proportion

(2) Accounting Treatment of the Welfare after Demission

Welfare after demission refers to the Company, in order to obtain services provided by the employees, provide all kinds of rewards and benefits after the retirement of the employees or cancellation of staff employment contracts, excepting short-term compensation and retirement benefits.

All the Company's welfare after demission plans are setting drawing plans.

The setting drawing plan of welfare after demission is the social basic pension insurance, unemployment insurance, etc, which implemented by the local labor and social security offices. In addition to social basic pension insurance and unemployment insurance, the Company participated in corporation pension scheme of China Chengtong Holdings Group Ltd. In the framework of Corporation Pension Scheme of China Chengtong Holdings Group Ltd, employees can voluntarily take part in the pension plan before January 1, 2017 according to the corporation pension scheme of Implementing Rules for China Paper Corporation Pension Scheme. During the accounting period that the employee providing service for the Company, the amount should pay in line with the setting drawing plan will be recognized as liabilities and record into current profits or losses or cost of relevant assets.

Apart from regularly making the aforesaid payments pursuant to the government's standards and the annuity fund plan, the Company bears no responsibility for other payments in this respect.

(3) Accounting Treatment of Demission Welfare

Demission welfare is refers to the Company's cancellation of the labor relationship with the employees before the labor contract maturity or compensation for encouraging the employee voluntarily accept reduction, when the Company is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, or when recognizing the costs or expenses (the earlier one between the two) related to the reorganization of paying the demission welfare, should recognize the payroll liabilities from the demission welfare and include in the current gains and losses.

(4) Accounting Treatment of other Welfare of the Long-term Employees

Other welfare of the long-term employees refers to other welfares excluding short term compensation, welfare after demission and demission welfare.

25. Accrued Liabilities

1. Recognition Standard of Estimated Liabilities

The obligation pertinent to the Contingencies shall be recognized as estimated liabilities when the following

conditions are satisfied simultaneously:

The obligation is a current obligation of the company;

It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and

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.

26. Share-based Payment

27. Other Financial Instruments such as Preferred Shares and Perpetual Capital Securities

28. Revenue

Is the Company subject to any disclosure requirements for special industries?

No.

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.

Confirmation methods of sales revenues of the Company:

(1) Confirmation methods of domestic sales revenue

Shall satisfy following conditions: products should be delivered according to customer's requirements; amount of sales revenues is determined, received or respected to receive; sales slip should be invoiced; costs of sold products should be calculated;

(2) Confirmation methods of export sales revenue

Shall satisfy following conditions: products should be produced according to export sales agreement signed with customers, received export declaration after qualified inspection and obtained bill of lading (waybill) after delivery by transport company; amount of sales revenues is determined, received or respected to receive; sales slip should be invoiced; costs of sold products should be calculated.

If the collection of the price as stipulated in the contract or agreement is delayed and if it has the financing nature, the revenue incurred by selling goods shall be ascertained in accordance with the fair value of the receivable price as stipulated in the contract or agreement.

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 a alienating the right to use assets shall be recognized in the light of the following methods:

- (1) 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;
- (2) 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 and Method for Recognizing the Revenue from Providing Labor Services

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 reliably estimate the outcome of a transaction concerning the labor services it provides, which simultaneously meets the following conditions:

- (1). The amount of revenue can be measured in a reliable way.
- (2). Relevant economy profits may inflow enterprises
- (3). The schedule of completion of the transaction can be measured in a reliable way.
- (4). The cost occurred or will occur in the transaction can be measured in a reliable way.

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't, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall be handled under the following conditions:

- (1). 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;
- (2). 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.

If the contracts the Company sign with other enterprises include sale of goods and rendering of service, and both of them can be separated and individually calculated, deal with them separately. For those sale of goods and rendering of service cannot be separated, or though can be separated but not be individually calculated, consider sale of goods and rendering of service as sale of goods.

4. Assets Transfer with Repurchase Conditions

When selling goods or transferring assets, the Company signs agreement of sale of goods or assets transfer, judges the sale of goods whether meeting the recognition condition of revenue or not in line with the agreement or not. If sales with Buyback Agreements belong to financing transaction, the Company derecognizes the revenue of sale, when delivering products or assets. If the price of repurchase is higher than the balance of sale price, withdraw interest on schedule during the repo period, withdraw financial cost.

29. Government Subsidies

(1) Judgment Basis and Accounting Treatment of Government Subsidies Related to Assets

Government subsidies related to assets are recognized as deferred income and recorded into gains/losses in reasonable and systematic way by stage in line with service life of assets purchased or constructed.

(2) Judgment Basis and Accounting Treatment of Government Subsidies Related to Profits

Government subsidies related to profits, as for those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included into the current gains/losses during the period when the relevant expenses or losses are recognized; those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included into the current gains/losses.

Government subsidies related to daily activities of enterprises shall be recorded into other incomes; government subsidies that have nothing to do with daily activities of enterprises shall be recorded into non-operating revenues and expenditure.

The obtained government subsidies closely related to policy concessional loan write-downs related borrowing costs; when getting the loans with policy preferential interest rate provided by lending bank, the Company shall take the actual obtained borrowing balance as entry value of borrowings, and calculate related borrowing costs in accordance with loan principal and policy preferential interest rate.

The government recognized need to return, which write-downs related assets book value when initially recognized, adjusting assets book value; deposited in the balance of relevant deferred income, write-downs related deferred income balance, the part beyond include in the current profits and losses, for those not in deferred income, include in current profits or losses directly.

30. Deferred Income Tax Assets/Deferred Income Tax Liabilities

Deferred income tax assets and deferred income tax liabilities recognize in line with the difference between tax base of assets and liabilities and their book value. On balance sheet date, deferred income tax assets and deferred income tax liabilities calculated in line with suitable tax rate in the period of estimate recover the assets or pay off the liabilities.

1. Recognition Basis of Deferred Income Tax Assets

The Company probably recognizes the deferred income tax assets incurred from deductible temporary difference using the limit of taxable income amount of deductible losses and tax credits deducting temporary differences and

can be brought forward to next accounting year. However, derecognize the deferred income tax assets incurred from the initial recognition of assets or liabilities in the transaction of the follows with these characteristics: (1) The transaction is not enterprise combination. (2) When the transaction occurring, it has no influence to the accounting profits, taxable amount or deductible losses.

The deductible temporary difference of relevant association enterprise investment, simultaneously meet the follow conditions, recognize as corresponding deferred tax assets; temporary difference probably switch back in the foreseeable future, and obtain taxable amount using for deducting deductible temporary difference.

2. Recognition Basis of Deferred Income Tax Liabilities

The Company recognizes the taxable temporary differences unpaid in the current period or previous period as deferred income tax liabilities. But not include:

- (1) Temporary differences formed by the initial recognition of goodwill
- (2) The transaction or event is not formed by enterprise combination, and the happen of transaction or event has no influence to the accounting profits or temporary differences formed by taxable income (Deductible losses)
- (3) For taxable temporary differences related to the investment with the subsidiary and association enterprise, the time of the reverse of temporary differences can be control and the temporary difference probably does not switch back in the foreseeable future.

3. Deferred Income Tax Assets and Deferred Income Tax Liabilities are Stated at Net Offset Amounts when the Following Conditions are Simultaneously Satisfied:

- (1) The Company is legally authorized to settle the income tax assets and liabilities of the current period at net amounts; and
- (2) The deferred income tax assets and liabilities are related to the income tax levied by the same tax authority on the same tax payer, or such on different tax payers but in the future period of the reversal of each important deferred income tax assets and liabilities, the involved tax payers intend to settle the income tax assets and liabilities of the current period at net amounts or obtain assets and repay debts at the same time.

31. Lease

(1) Accounting Treatment of Operating Lease

1) Operating Leasing Assets

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.

2) Operation Renting out Assets

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

1) 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.

For the recognition standards, measurement and depreciation methods for assets acquired under finance leases, see “(14) Fixed assets” under Note 4 herein.

The unrecognized financing charges are amortized over the lease term and recorded into finance costs adopting the effective interest rate method.

2) Assets lost under finance leases: On the lease beginning date, the Company shall recognize the difference between financing lease receivables and the unguaranteed residual value in a finance lease as unrealized financing income and recognize as income of lease during the future period of receiving lease income. The initial direct cost related to lease transaction occurred in the Company, record into initial calculation of financing lease receivables, decrease the amount of lease income recognized during lease period.

32. Other Significant Accounting Policies and Estimates

33. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

√Applicable □ Not applicable

Contents and reasons	Procedures	Remarks
On May 10, 2017, Ministry of Finance announced the revised The Accounting Standards for Enterprises No. 16 - Governmental Subsidies. The Company made corresponding adjustment according to the revised rules	According to the related regulations of Rules of Floatation of shares in Shenzhen Stock Exchange and Guidelines for Standard Operation of Main-board Companies in Shenzhen Stock Exchange, this part of accounting policy changes has been reviewed by the eighth Meeting of the seventh Board of Directors of the Company in 2017, no need of being reviewed by General Meetings of Shareholders.	
On April 28, 2017, Ministry of Finance announced The Accounting Standards for Enterprises No. 42-Non Current Assets Held for Sale, Disposal Group, and Operation Termination. The Company made corresponding adjustment according to the rules and Notes of revising and Printing the Format of General Enterprises	According to the related regulations of Rules of Floatation of shares in Shenzhen Stock Exchange and Guidelines for Standard Operation of Main-board Companies in Shenzhen Stock Exchange, this part of accounting policy changes has been reviewed by the eighth Meeting of the seventh Board of Directors of the	

Financial Statement	Company, no need of being reviewed by General Meetings of Shareholders.	
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Notes of accounting policy changes:

(1) On May 10, 2017, Ministry of Finance announced the revised The Accounting Standards for Enterprises No. 16 - Governmental Subsidies implemented from June 12, 2017, which requires companies to deal with the government subsidies that exist on January 1, 2017 by prospective application, and adjust the added government subsidies between January 1, 2017 and the implementation day of the rules in line with the revised rules.

The Company began to adopt the revised rules from June 12, 2017, and made adjustment to the government subsidies between January 1, 2017 and the implementation day of the rules according to the requirement of the new rules. Retroactive adjustment would not to be done to the transaction before January 1, 2017, nor did the financial statement in the period of comparison of 2017 financial statement.

(2) On April 28, 2017, Ministry of Finance announced The Accounting Standards for Enterprises No. 42-Non Current Assets Held for Sale, Disposal Group, and Operation Termination implemented from May 28, 2017. The Company newly added the item of “Income of Assets Disposal” in income statement, and presented and listed classifiably net profits in business continuity according to the rules and Notes of revising and Printing the Format of General Enterprises Financial Statement (CK (2017) No. 30). The Company made the adjustment to comparative date in the period of comparison according to the related regulation of The Accounting Standards for Enterprises No. 30-the Presentation of Financial Statement. The influences of implementing the new rules on the comparative financial statement are as follows:

Item	Amount incurred in the previous period	
	Before adjustment	After adjustment
Asset disposal income	---	-192,618.05
Non-operating income	29,182,787.72	28,489,936.98
Non-operating expenses	4,113,896.86	3,228,428.07

(2) Changes in Accounting Estimates

☐ Applicable ☒ Not applicable

34. Other

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Revenue from sale of goods, taxable revenue from rendering services	Rental income was 5%, interest income was 6%, water fee income was 11%, and others income was 17%
Urban maintenance and construction tax	Turnover tax actually paid	7%
Enterprise income tax	Taxable income	25%
Property tax	70% of the original value of the property	1.20%

	considered as tax base	
Property tax	Rental income as tax base	12%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Name	Income tax rate
The Company	25%
Hongta Renheng	15%
Golden Pheasant Chemical	15%
Huaxin Color Printing	15%
Zhuhai Huafeng	15%
Kunshan Focai	25%
Zhejiang Hongta	25%

2. Tax Preference

1. According to the Circular on issuing the First Name List of Hi-tech Enterprise through the review in Guangdong Province for Y2015 (YKGS (2015) Document No. 24) issued by Science & Technology Department of Guangdong Province, Hongta Renheng passed First Batch of Hi-tech Enterprise in Guangdong Province for Y2015, and gained Certificate for Hi-tech Enterprise (Certificate No.: GR201544000238, with three years of validity). So, in 2017, the Hongta Renheng shall pay the corporate income tax according to the corporate income tax rate of 15%.

2. According to the Circular on issuing the Second Name List of Hi-tech Enterprise in Guangdong Province for Y2013 (YKGZi (2014) Document No. 60) jointly issued by Science & Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Office, SAT, Guangdong Local Taxation Bureau, the sub-subsidiary of the Company Zhuhai Golden Pheasant Chemicals Co., Ltd. had passed the affirmation of the second name list of high-tech enterprise of 2013 and the gained the Certification of Hi-tech Enterprise (the Certification No.: GR201344000618 with the validity for 3 years). According to the Circular on Second Name List of Proposed Hi-tech Enterprise in Guangdong Province for Y2016 issued by the National Leading Group Office for the Management of High-tech Enterprises Recognition, Zhuhai Golden Pheasant Chemicals Co., Ltd. had passed the affirmation of high-tech enterprise. Thus the sub-subsidiary Zhuhai Golden Pheasant Chemicals Co., Ltd. shall pay the corporate income tax according to the corporate income tax rate of 15% in 2017.

3. According to the First Name List of Proposed Hi-tech Enterprise in Guangdong Province for Y2016 issued by the National Leading Group Office for the Management of High-tech Enterprises Recognition, the subsidiary of the Company, Zhuhai Huafeng Paper Co., Ltd. had passed the affirmation of the first name list high-tech enterprise of 2016 in Guangdong Province, and gained Certificate for Hi-tech Enterprise (Certificate No.: GR201644001293, with three years of validity). Thus Zhuhai Huafeng Paper Co., Ltd. shall pay the corporate income tax according to the corporate income tax rate of 15% in 2017.

4. According to the Circular on issuing the Name List of Hi-tech Enterprise in Guangdong Province for Y2015 (YKGZi [2016] Document No. 17) jointly issued by Science & Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Office, SAT, Guangdong Local Taxation Bureau, the subsidiary of the Company Huaxin (Foshan) Color Printing Co., Ltd. had passed the affirmation of

high-tech enterprise of 2016 and the gained the Certification of Hi-tech Enterprise (the Certification No.: GR201544001352 with the validity for 3 years). Thus Huaxin (Foshan) Color Printing Co., Ltd. shall pay the corporate income tax according to the corporate income tax rate of 15% in 2017.

3. Other

VII. Notes to Major Items in the Consolidated Financial Statements of the Company

1. Monetary Funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	173,601.37	137,530.97
Bank deposits	254,078,310.38	356,966,169.85
Other monetary funds	33,400,956.90	176,891,765.59
Total	287,652,868.65	533,995,466.41

Other notes:

Of which, the list of restricted monetary capital was as follow:

Item	Closing balance	Opening balance
Deposit of bank acceptance	---	126,634,278.53
Cash Deposit	6,284,026.90	50,056,233.21
Other use restricted deposits	27,116,930.00	201,253.85
Total	33,400,956.90	176,891,765.59

2. Financial Assets Measured by Fair Value and the Changes Included in the Current Gains and Losses

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured by fair value and the changes included in the current gains and losses	0.00	1,571,341.66
Total		1,571,341.66

Other Notes:

The opening balance was the bank's structural deposits of financial products purchased by the company's subsidiaries Hongta Renheng Paper Co., Ltd. and Zhuhai Huafeng. The fair value of the floating interest calculated on December 31, 2016 as per the contract was taken back at maturity in the current period.

3. Derivative Financial Assets

☐ Applicable ☒ Not applicable

4. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bill	428,945,798.73	418,475,541.19
Commercial acceptance bill	1,753,865.72	2,365,076.97
Total	430,699,664.45	420,840,618.16

(2) Notes Receivable Pledged by the Company at the End of the Period

Unit: RMB

Item	Amount
Bank acceptance bill	70,176,980.33
Total	70,176,980.33

(3) Notes Receivable Endorsed by the Company or Discounted and not due on the Balance Sheet Date at the End of the Period

Unit: RMB

Item	Derecognized Amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance bill	901,232,838.47	
Total	901,232,838.47	

(4) Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement

Unit: RMB

Item	Amount of the notes transferred to accounts receivable at the end of the period
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Other Notes:

5. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Closing balance	Opening balance
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	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawal of bad debt provision by credit risks characteristics:	733,348,714.44	94.67%	3,218,491.38	0.44%	730,130,223.06	829,359,855.38	95.40%	3,194,869.19	0.39%	826,164,986.19
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	41,284,524.04	5.33%	41,284,524.04	100.00%		39,978,117.09	4.60%	39,978,117.09	100.00%	
Total	774,633,238.48	100.00%	44,503,015.42	5.75%	730,130,223.06	869,337,972.47	100.00%	43,172,986.28	4.97%	826,164,986.19

Accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
1-3 months	678,512,032.99		
4-12 months	51,433,124.03	2,571,656.21	5.00%
Subtotal of within 1 year	729,945,157.02	2,571,656.21	0.35%
1 to 2 years	2,574,649.38	257,464.94	10.00%
2 to 3 years	83,612.64	16,722.53	20.00%
Over 3 years	745,295.40	372,647.70	50.00%
Total	733,348,714.44	3,218,491.38	0.44%

Notes of the basis of recognizing the group:

Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting other methods to withdraw bad debt provision:

(2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 2,933,213.16; the amount of the reversed or collected part during the Reporting Period was of RMB1,603,184.02.

Significant amount of reversed or recovered bad debt provision:

Unit: RMB

Name of the entity	Amount	Method
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(3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
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Of which: significant actual verification of accounts receivable

Unit: RMB

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes:

(4) Top Five of Account Receivable of Closing Balance Collected by Arrears Party

Name of the entity	Closing balance	Proportion%	Bad debt provision withdrawn
Customer A	38,614,878.47	4.98	50,000.00
Customer B	28,038,481.31	3.62	222,649.87
Customer C	27,230,747.81	3.52	---
Customer D	23,479,982.97	3.03	---
Customer E	22,351,131.01	2.89	92,042.09
Total	139,715,221.57	18.04	364,691.96

(5) Derecogniton of Account Receivable due to the Transfer of Financial Assets**(6) The Amount of the Assets and Liabilities Formed due to the Transfer and the Continued Involvement of Accounts Receivable**

Other notes:

6. Prepayment**(1) List by Aging Analysis:**

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	106,169,940.89	81.48%	129,394,303.41	98.57%
1 to 2 years	23,790,082.66	18.26%	725,582.93	0.55%
2 to 3 years			155,097.35	0.12%
Over 3 years	337,286.50	0.26%	1,003,364.28	0.76%
Total	130,297,310.05	--	131,278,347.97	--

Notes of the reasons of the prepayment ages over 1 year with significant amount but failed settled in time:

(2) Top 5 of the Closing Balance of the Prepayment Collected according to the Prepayment Target

Name of the entity	Closing balance	Proportion (%)	Time	Reason
Customer A	36,516,917.46	28.03	Within 1 year	Did not arrived in the settlement period
Customer B	23,772,770.08	18.25	1-2years	Did not arrived in the settlement period
Customer C	13,484,347.63	10.35	Within 1 year	Did not arrived in the settlement period
Customer D	13,226,824.58	10.15	Within 1 year	Did not arrived in the settlement period
Customer E	6,214,564.92	4.77	Within 1 year	Did not arrived in the settlement period
Total	93,215,424.67	71.54		

Other notes:

7. Interest Receivable

(1) Category of Interest Receivable

Unit: RMB

Item	Closing balance	Opening balance
Fixed time deposits	141,388.09	358,066.39
Interest of Foreign Loan		5,950,976.18
Total	141,388.09	6,309,042.57

(2) Significant Overdue Interest

Entity	Closing balance	Overdue time	Overdue reason	Whether occurred impairment and its
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				judgment basis
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Other notes:

The closing balance of interest receivable decreased 97.76% compared with that of opening balance which was mainly the whole received principal and interest of Foshan Chengtong.

8. Dividend Receivable

(1) Dividend Receivable

Unit: RMB

Item (or investees)	Closing balance	Opening balance
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(2) Significant Dividend Receivable Aged over 1 Year

Unit: RMB

Item (or investees)	Closing balance	Aging	Reason	Whether occurred impairment and its judgment basis
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Other notes:

9. Other Accounts Receivable

(1) Other Account Receivable Classified by Category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	18,582,481.20	40.04%	18,582,481.20	100.00%		19,464,553.91	51.88%	19,464,553.91	100.00%	
Other accounts receivable withdrawn bad debt provision according to credit	21,621,356.32	46.60%	1,513,213.18	7.00%	20,108,143.14	12,868,439.14	34.30%	660,870.40	5.14%	12,207,568.74

risks characteristics										
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	6,198,529.18	13.36%	6,198,529.18	100.00%		5,184,222.65	13.82%	5,184,222.65	100.00%	
Total	46,402,366.70	100.00%	26,294,223.56	56.67%	20,108,143.14	37,517,215.70	100.00%	25,309,646.96	67.46%	12,207,568.74

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

√ Applicable □ Not applicable

Unit: RMB

Other accounts receivable	Closing balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Hong Kong Hang Fung Holdings Limited Co., Ltd.	12,582,481.20	12,582,481.20	100.00%	Not expected to recover
Zhuhai Yidesheng Industrial Co., Ltd.	6,000,000.00	6,000,000.00	100.00%	Not expected to recover
Total	18,582,481.20	18,582,481.20	--	--

Among these groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
1-3 months	3,608,477.00		
4-12 months	12,062,200.73	603,110.03	5.00%
Subtotal of within 1 year	15,670,677.73	603,110.03	3.85%
1 to 2 years	4,201,942.26	420,194.23	10.00%
2 to 3 years	1,281,530.81	256,306.16	20.00%
Over 3 years	467,205.52	233,602.76	50.00%
Total	21,621,356.32	1,513,213.18	7.00%

Notes:

Among these groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

Among these groups, other accounts receivable adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Current Period

The withdrawal amount of the bad debt provision in the Current Period was of RMB1,108,150.75; the amount of the reversed or collected part in the Current Period was of RMB123,574.15.

Significant amount of reversed or recovered bad debt provision;

Unit: RMB

Name of the entity	Reversed or collected amount	Method
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(3) Particulars of the Actual Verification of Other Accounts Receivable in the Current Period

Unit: RMB

Item	Amount
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Of which: significant actual verification of other accounts receivable

Unit: RMB

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes of write-off other accounts receivable:

(4) Other Account Receivable Classified by Account Nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Margin	5,129,666.50	4,557,712.86
Pretty cash	1,563,520.43	2,212,246.03
Freight and miscellaneous charges on behalf	3,088,597.59	3,374,742.46
Compensation for victim's families on behalf	9,760,000.00	0.00
Other intercourse funds	26,860,582.18	27,372,514.35
Total	46,402,366.70	37,517,215.70

(5) Top 5 of the Closing Balance of the Other Accounts Receivable Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Customer A	Other intercourse	12,582,481.20	Over 3 years	27.12%	12,582,481.20

	funds				
Customer B	Payment of compensation on behalf	9,760,000.00	Within 1 year	21.03%	488,000.00
Customer C	Other intercourse funds	6,000,000.00	Over 3 years	12.93%	6,000,000.00
Customer D	Margin	2,000,000.00	Over 3 years	4.31%	2,000,000.00
Customer E	Margin	1,520,000.00	1 to 2 years	3.28%	152,000.00
Total	--	31,862,481.20	--	68.67%	21,222,481.20

(6) Account Receivable Involving Government Subsidies

Unit: RMB

Name of the entity	Project of government subsidies	Closing balance	Closing aging	Estimated recovering time, amount and basis
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(7) Other Account Receivable Derecognized due to the Transfer of Financial Assets

(8) Amount of Transfer Other Account Receivable and Assets and Liabilities Formed by its Continuous Involvement

Other notes:

The account receivable at the end of the Reporting Period from JIANGSU TIANXING HIGH-ALTITUDE ANTI-CORROSION ENGINEERING CO., LTD. was RMB9,760,000.00 which was the advance paid by Zhuhai Huafeng Paper Co., Ltd., the Company's holding subsidiary, to families of the victims who died in "3.4 Safety Accident" .

10. Inventory

Whether the company need abide by relevant disclosure requirements prevailing among the real estate industries or not?

No

(1) Category of Inventory

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	307,249,280.55	4,405,881.46	302,843,399.09	204,284,126.92	4,389,802.22	199,894,324.70
Goods in process	37,051,626.77		37,051,626.77	41,566,211.76		41,566,211.76
Inventory goods	252,774,871.60	6,490,549.35	246,284,322.25	377,910,881.78	7,134,685.44	370,776,196.34

Total	597,075,778.92	10,896,430.81	586,179,348.11	623,761,220.46	11,524,487.66	612,236,732.80
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Whether the company need satisfy relevant disclosure requirements stated in SZSE Industrial Information Disclosure Guidance No.4---Listed Company Specialized in Seed Industry and Planting Businesses or not?

No

(2) Falling Price Reserves of Inventory

Unit: RMB

Item	Opening balance	Increase		Decrease		Closing Balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	4,389,802.22	105,254.54		89,175.30		4,405,881.46
Inventory goods	7,134,685.44	5,955,765.24		6,599,901.33		6,490,549.35
Total	11,524,487.66	6,061,019.78		6,689,076.63		10,896,430.81

The write-off of the falling price reserves of inventory was caused by the sales of raw materials and inventory goods for this Current Period.

(3) Notes of the Closing Balance of the Inventory which Includes Capitalized Borrowing Expenses

(4) Completed Unsettled Assets Formed from the Construction Contract at the End of the Period

Unit: RMB

Item	Amount
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Other notes:

11. Held-for-sale Assets

Unit: RMB

Item	Closing book value	Fair value	Estimated disposal expense	Estimated disposal time
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Other notes:

12. Non-current Assets Due Within 1 Year

Unit: RMB

Item	Closing balance	Opening balance
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Other notes:

13. Other Current Assets

Unit: RMB

Item	Closing balance	Opening balance
The VAT deduction	22,185,700.04	8,698,861.83
Structural Deposits	1,000,000.00	209,000,000.00
Advance Payment of corporate income tax	13,826.63	172,635.86
Damaged property to be disposed for typhoon	20,961,100.36	
Total	44,160,627.03	217,871,497.69

Other notes:

- (1) Other current assets at the end of the Reporting Period decreased 79.73% compared to that at the beginning of the period, resulting from the calling back of structural deposits at maturity.
- (2) The damaged properties to be disposed for typhoon were mainly the properties of the Company's subsidiaries Zhuhai Hongta Renheng Packaging Co., Ltd. and Zhuhai Huafeng Paper Co., Ltd. damaged for typhoon "Hato" in the Current Period which have not been disposed by the end of Dec. 31, 2017.

14. Available-for-sale Financial Assets

(1) List of Available-for-sale Financial Assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments:	627,643,841.04		627,643,841.04	288,700.00		288,700.00
Measured at cost	627,643,841.04		627,643,841.04	288,700.00		288,700.00
Total	627,643,841.04		627,643,841.04	288,700.00		288,700.00

(2) Available-for-sale Financial Assets Measured by Fair Value at the End of the Period

Unit: RMB

Category	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
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(3) Available-for-sale Financial Assets Measured by Cost at the End of the Period

Unit: RMB

Investee	Book balance				Depreciation reserves				Shareholding proportion among the	Cash bonus of the Reporting
	Opening period	Increase	Decrease	Closing period	Opening period	Increase	Decrease	Closing period		

									investees	Period
China Guangfa Bank Co., Ltd.	288,700.00			288,700.00					0.00%	
China Chengtong Finance Corporation Ltd.		627,355,141.04		627,355,141.04					10.00%	6,995,738.12
Total	288,700.00	627,355,141.04		627,643,841.04					--	6,995,738.12

(4) Changes of the Impairment of the Available-for-sale Financial Assets during the Reporting Period

Unit: RMB

Category	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
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(5) Relevant Notes of the Fair Value of the Available-for-sale Equity Instruments which Seriously Fell or Temporarily Fell but not Withdrawn the Impairment Provision

Unit: RMB

Item of available-for-sale equity instruments	Investment cost	Closing fair value	Falling range of the fair value against the cost	Continued falling time (month)	Withdrawn impairment amount	Reason of not withdrawn the impairment
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Other notes

(1) In 2015, the Company was transferred to 0.0004248% of shares of China Guangfa Bank Co., Ltd. by its former subsidiary Foshan Chengtong Paper Co., Ltd. that has been disposed.

(2) The Company's former associated enterprise China Chengtong Finance Corporation Ltd. increased its registered capital by RMB4 billion in this year, of which 0.3 billion shares were invested by the Company at RMB1.32 per share. The actual investment was RMB396 million. After the capital increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00% without control or joint control rights as well as significant influence. The Company would transfer the investment in China Chengtong Finance Corporation Ltd. to available-for-sale financial assets that would be measured at cost. No major falling or temporary falling happened to the available-for-sale equity instruments at the end of the period, and depreciation reserves were not withdrawn.

15. Investment Held-to-maturity**(1) List of Investment Held-to-maturity**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value

(2) Significant Held-to-maturity Investment at the End of the Period

Unit: RMB

Bond item	Book value	Nominal interest rate	Actual interest rate	Due date
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(3) Re-classified Held-to-maturity Investment in the Current Period

Other notes

16. Long-term Accounts Receivable**(1) Long-term Accounts Receivable**

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Loan				490,240,600.41		490,240,600.41	
Total				490,240,600.41		490,240,600.41	--

(2) Long-term Accounts Receivable which Terminate the Recognition owing to the Transfer of the Financial Assets**(3) The Amount of the Assets and Liabilities Formed due to the Transfer and the Continued Involvement of Long-term Accounts Receivable**

Other notes

In line with the Creditor's Rights and Debts Settlement Agreement signed with Foshan Chengtong Paper Co., Ltd., the Company began to charge Foshan Chengtong Paper Co., Ltd interest quarterly for capital occupation at the benchmark interest rate for 3-year fixed loan published by People's Bank of China since Jan. 1, 2016 taking the accounts receivable from Foshan Chengtong Paper Co., Ltd. amounting to RMB490,240,600.41 as the principal.

As of Dec. 31, 2017, the Company had called back all principal and corresponding interest from Foshan Chengtong Paper Co., Ltd.

17. Long-term Equity Investment

Unit: RMB

Investee	Opening balance	Increase/decrease in Reporting Period								Closing balance	Closing balance of impairment provision
		Additional investment	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Declaration of cash dividends or profits	Withdrawal impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Guangdong Chengtong Logistics Co., Ltd.	8,367,444.28			294,342.54			367,421.65			8,294,365.17	
Chengtong Finance Co., Ltd.	244,408,251.27	396,000,000.00		22,059,145.80			35,112,256.03		-627,355,141.04		
Subtotal	252,775,695.55	396,000,000.00		22,353,488.34			35,479,677.68		-627,355,141.04	8,294,365.17	
Total	252,775,695.55	396,000,000.00		22,353,488.34			35,479,677.68		-627,355,141.04	8,294,365.17	

Other notes

(1) In 2012, the subsidiary of the Company Zhuhai S.E.Z.Hongta Renheng Paper Co., Ltd. held 24% of the shares of Guangdong Chengtong Logistics Co., Ltd. of significant influences, and the equity method shall be applied. On Mar. 31, 2013, Guangdong Chengtong Logistics Co., Ltd. executed the shares withdrawal and assets reduction [(Singapore) Renheng Industry Co., Ltd. (occupied 25% shares) withdrawn the equity of Guangdong Chengtong Logistics Co., Ltd.]. Therefore, the shareholding proportion of Guangdong Chengtong Logistics Co., Ltd. by the subsidiary of the Company Zhuhai S.E.Z.Hongta Renheng Paper Co., Ltd. increased from 24% to 32% of significant influences, and shall be measured by equity method.

(2) In line with the Proposal on Increasing Investment to China Chengtong Finance Co., Ltd. reviewed and approved on the Fourth Meeting of the 7th Board of Directors for 2017, the Company increased 0.3 billion shares of investment to Chengtong Finance Co., Ltd. at RMB1.32 per share. The actual investment by the Company was RMB396 million. After the investment increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00% without control or joint control rights as

well as significant influence. The Company would transfer the investment in China Chengtong Finance Corporation Ltd. to available-for-sale financial assets that would be measured at cost and reclassified into available-for-sale financial assets.

18. Investment Property

(1) Investment Property Adopting the Cost Measurement Method

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Opening balance	34,075,727.12			34,075,727.12
2. Increased amount of the period	12,430,308.90			12,430,308.90
(1) Outsourcing				
(2) Transfer of inventory\fixed assets\project under construction				
(3) Increased from enterprise merger				
(4) Transferred-in amount for the Current Period	12,430,308.90			12,430,308.90
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance	46,506,036.02			46,506,036.02
II. Accumulative depreciation and accumulative amortization				
1. Opening balance	9,481,983.41			9,481,983.41
2. Increased amount of the period	4,931,696.32			4,931,696.32
(1) Withdrawal or	999,157.38			999,157.38

amortization				
(2) Transferred-in amount for the Current Period	3,932,538.94			3,932,538.94
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance	14,413,679.73			14,413,679.73
III. Depreciation reserves				
1. Opening balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance				
IV. Book value				
1. Book value of the period-end	32,092,356.29			32,092,356.29
2. Opening book value	24,593,743.71			24,593,743.71

(2) Investment Property Adopting the Fair Value Measurement Method

☐ Applicable ☒ Not applicable

(3) Details of Investment Property Failed to Accomplish Certification of Property

Unit: RMB

Item	Book value	Reason
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Other notes

The original value of investment property increased 36.48% at the end of the period when compared to that at the beginning of the

period because the plants of Huaxin (Foshan) Color Printing Co., Ltd., the wholly-owned subsidiary of the Company was leased out.

19. Fixed Assets

(1) List of Fixed Assets

Unit: RMB

Item	House and buildings	Machinery equipment	Transportation	Electronic equipment and others	Total
I. Original book value					
1. Opening balance	1,167,346,002.05	2,826,731,928.68	49,123,987.84	133,174,810.81	4,176,376,729.38
2. Increased amount of the period	3,333,876.63	13,063,691.32	794,039.74	1,732,658.98	18,924,266.67
(1) Purchase	3,333,876.63	4,972,738.18	794,039.74	1,732,658.98	10,833,313.53
(2) Transfer of project under construction		8,090,953.14			8,090,953.14
(3) Increased from enterprise merger					
3. Decreased amount of the period	12,430,308.90	13,883,254.52	5,272,689.33	693,805.56	32,280,058.31
(1) Disposal or Scrap		13,883,254.52	5,272,689.33	693,805.56	19,849,749.41
Other transfers	12,430,308.90				12,430,308.90
4. Closing balance	1,158,249,569.78	2,825,912,365.48	44,645,338.25	134,213,664.23	4,163,020,937.74
II. Accumulative depreciation					
1. Opening balance	371,188,488.98	1,148,693,834.19	40,265,745.95	87,754,105.35	1,647,902,174.47
2. Increased amount of the period	33,269,089.38	111,856,523.17	2,651,668.50	10,624,321.67	158,401,602.72
(1) Withdrawal	33,269,089.38	111,856,523.17	2,651,668.50	10,624,321.67	158,401,602.72
3. Decreased	3,932,538.94	12,891,286.30	4,767,411.62	672,748.99	22,263,985.85

amount of the period					
(1) Disposal or Scrap		12,891,286.30	4,767,411.62	672,748.99	18,331,446.91
Other transfers	3,932,538.94				3,932,538.94
4. Closing balance	400,525,039.42	1,247,659,071.06	38,150,002.83	97,705,678.03	1,784,039,791.34
III. Depreciation reserves					
1. Opening balance		76,679,757.00			76,679,757.00
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal or Scrap					
4. Closing balance		76,679,757.00			76,679,757.00
IV. Book value					
1. Closing book value	757,724,530.36	1,501,573,537.42	6,495,335.42	36,507,986.20	2,302,301,389.40
2. Opening book value	796,157,513.07	1,601,358,337.49	8,858,241.89	45,420,705.46	2,451,794,797.91

(2) List of Temporarily-idle Fixed Assets

Unit: RMB

Item	Original book value	Accumulative depreciation	Impairment provision	Book value	Notes
None					

(3) Fixed Assets Leased in from Financing Lease

Unit: RMB

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Houses and buildings	12,212,610.00	11,012,048.34		1,200,561.66

Machinery equipment	3,160,000.00	3,002,000.00		158,000.00
Total	15,372,610.00	14,014,048.34		1,358,561.66

(4) Fixed Assets Leased out from Operation Lease

Unit: RMB

Item	Closing book value
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(5) Details of Fixed Assets Failing to Accomplish Certification of Property

Unit: RMB

Item	Book value	Reason
Houses and buildings	105,519,188.92	Property right certificate was under processing.

Other notes

1. Other transfers of houses and buildings in the Current Period caused by the lease out of plants by the Company and being reclassified into investment property from fixed assets.
2. Except for the equipment with provision for impairment at the beginning of the period, there was no recoverable amount of other fixed assets at the end of the period lower than its book value. In the Current Period, there was no provision for impairment of fixed assets

20. Construction in Progress**(1) List of Construction in Progress**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
BM3 Tetra project	5,168,440.11		5,168,440.11	4,985,121.78		4,985,121.78
Upscale special white cardboard BM4 new project	2,480,438.79		2,480,438.79	2,480,438.79		2,480,438.79
Latex phase II matching raw material tank farm project	15,918,047.55		15,918,047.55	8,835,858.29		8,835,858.29
Advanced waste-water treatment and	2,431,959.91		2,431,959.91	2,394,735.57		2,394,735.57

water reuse project						
Equipment under Construction	5,047,332.75		5,047,332.75	1,951,641.12		1,951,641.12
BM3 coating draught fan energy saving renovation project	1,070,085.47		1,070,085.47			
BM3 Reel alternation of hydro-acupuncture renovation project	1,967,411.17		1,967,411.17			
Others	5,232,058.44		5,232,058.44	3,279,932.27		3,279,932.27
Total	39,315,774.19		39,315,774.19	23,927,727.82		23,927,727.82

(2) Changes of Significant Construction in Progress

Unit: RMB

Name of item	Estimated number	Opening balance	Increase	Amount that transferred to fixed assets of the period	Other decrease d amount of the period	Closing balance	Proportion estimate d of the project accumulative input	Project progress	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period	Capital resources
BM3 Tetra project	18,730,000.00	4,985,121.78	183,318.33			5,168,440.11		30.00%				Others
Latex phase II matching raw material tank farm project	20,000,000.00	8,835,858.29	7,082,189.26			15,918,047.55		80.00%				Others

Advanced waste-water treatment and water reuse project	18,000,000.00	2,394,735.57	37,224.34			2,431,959.91		25.00%				Others
BM3 coating draught fan energy saving renovation project	1,300,000.00		1,070,085.47			1,070,085.47		80.00%				Others
BM3 Reel alternation of hydro-acupuncture renovation project	2,000,000.00		1,967,411.17			1,967,411.17		98.00%				Others
Total	60,030,000.00	16,215,715.64	10,340,228.57			26,555,944.21	--	--				--

(3) List of the Withdrawal of the Impairment Provision of the Construction in Progress

Unit: RMB

Item	Withdrawn amount	Reason
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Other notes

Construction in process during the Current Period transferred into fixed assets was RMB8,090,953.14 mainly resulting from the transfer of equipment purchased to fixed assets after it passed the test of trial production.

21. Engineering Material

Unit: RMB

Item	Closing Balance	Opening Balance
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Other notes:

22. Liquidation of Fixed Assets

Unit: RMB

Item	Closing Balance	Opening Balance
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Other notes:

23. Productive Biological Assets**(1) Productive Biological Assets Adopting Cost Measurement Method**☐ Applicable ☒ Not applicable**(2) Productive Biological Assets Adopting Fair Value Measurement Method**☐ Applicable ☒ Not applicable**24. Oil and Gas Assets**☐ Applicable ☒ Not applicable**25. Intangible Assets****(1) List of Intangible Assets**

Unit: RMB

Item	Land use right	Patent right	Non-patent right	Software and others	Total
I. Original book value					
1. Opening balance	146,944,298.89		37,784,158.74	8,274,998.81	193,003,456.44
2. Increased amount of the period	25,795.00		19,038,707.23	378,220.59	19,442,722.82
(1) Purchase	25,795.00			378,220.59	404,015.59
(2) Internal R & D			19,038,707.23		19,038,707.23
(3) Increased from enterprise merger					

3. Decreased amount of the period					
(1) Disposal					
4.Closing Balance	146,970,093.89		56,822,865.97	8,653,219.40	212,446,179.26
II. Total accrued amortization					
1. Opening balance	46,626,522.07		15,177,849.69	2,931,352.25	64,735,724.01
2. Increased amount of the period	2,968,785.93		4,043,628.00	980,826.10	7,993,240.03
(1) Withdrawal	2,968,785.93		4,043,628.00	980,826.10	7,993,240.03
3. Decreased amount of the period					
(1) Disposal					
4.Closing Balance	49,595,308.00		19,221,477.69	3,912,178.35	72,728,964.04
III. Depreciation reserves					
1. Opening balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4.Closing Balance					

IV. Book value					
1. Closing book value	97,374,785.89		37,601,388.28	4,741,041.05	139,717,215.22
2. Opening book value	100,317,776.82		22,606,309.05	5,343,646.56	128,267,732.43

The proportion of the intangible assets formed from the internal R&D through the Company amount the balance of the intangible assets at the end of the period was 26.75%.

(2) Details of Fixed Assets Failing to Accomplish Certification of Land Use Right

Unit: RMB

Item	Book value	Reason
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Other notes:

26. R&D Expenses

Unit: RMB

Item	Opening Balance	Increase			Decrease			Closing Balance
Lemei White Liquid Package Project	3,205,846.39				3,205,846.39			
Gaosong Thick Paper Cup Re-coating Project	839,338.16	1,253,270.54			2,092,608.70			
Lightweight environmentally friendly cigarette box board		1,397,911.00			1,397,911.00			
Special-hue ivory board		1,890,797.00			1,890,797.00			
R&D of digital board		100,000.00				100,000.00		
R &D of coating ivory and cigarette box board		2,216,887.04			2,216,887.04			

with fragrance and moisture retention								
Special ivory board for low white cigarette package in casting and coating crafts		2,296,073.36			2,296,073.36			
Gaosong Thick coating ivory board(food grade)		3,012,777.60			3,012,777.60			
Special-gloss Paperboard		100,000.00				100,000.00		
Gaosong Thick coating ivory board (yellow bottom)		1,953,434.18			1,953,434.18			
Coating ivory board (light coated)		972,371.96			972,371.96			
Total	4,045,184.55	15,193,522.68			19,038,707.23	200,000.00		

Other notes

27. Goodwill

(1) Original Book Value of Goodwill

Unit: RMB

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing balance
Zhuhai S.E.Z. Hongta Renheng	9,129,025.01					9,129,025.01

Paper Co., Ltd.						
Zhuhai Golden Pheasant Chemicals Co., Ltd.	2,418,280.28					2,418,280.28
Total	11,547,305.29					11,547,305.29

(2) Impairment Provision of Goodwill

Unit: RMB

Name of the investees or the events formed goodwill	Opening balance	Increase	Decrease	Closing balance
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Notes of the testing process of goodwill impairment, parameters and the recognition method of goodwill impairment losses:

Other Notes

On Jun. 30, 2009, the Company obtained the control of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. through business combination not under the same control with the combination cost RMB808,448,702.06, and obtained the fair value of the identifiable net assets of the Company RMB799,319,677.05. Combination cost being larger than the fair value of the identifiable net assets balance formed goodwill RMB9,129,025.01. At the end of the period, through combining the analysis of the present value of the expected future cash flow of the assets with the evaluation of assets group of the two production line equipment and recoverable amount, there was no sign of goodwill impairment, thus no provision for impairment loss.

On Jul. 1, 2012, the Company obtained the control of Zhuhai Jinji Chemicals Co., Ltd. through business combination not under the same control with the combination cost RMB69,000,000.00, and obtained the fair value of the identifiable net assets of the Company RMB66,581,719.72. Combination cost being larger than the fair value of the identifiable net assets balance formed goodwill RMB2,418,280.28. At the end of the period, through the analysis of the present value of the expected future cash flow of Zhuhai Jinji Chemicals Co., Ltd., there was no sign of goodwill impairment, thus no provision for impairment loss.

28. Long-term Unamortized Expenses

Unit: RMB

Item	Opening balance	Increase	Amortization amount	Decrease	Closing balance
Decoration expense for rent-in plant	79,966.80	224,548.54	91,194.24		213,321.10
Fee for technical service	320,109.48		87,302.64		232,806.84
Maintaining renovation of construction	2,899,610.42	1,000,143.61	1,088,991.80		2,810,762.23

project					
Total	3,299,686.70	1,224,692.15	1,267,488.68		3,256,890.17

Other notes

29. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets that Had not Been Set-off

Unit: RMB

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	144,093,941.83	21,629,140.63	144,181,548.35	21,628,644.75
Withholding sales agency fee	11,004,330.01	1,650,649.50	10,829,370.22	1,624,405.53
Accrued liabilities	760,457.18	114,068.58	929,802.09	139,470.31
Accrued expenses	25,610,056.09	3,841,508.41	6,276,223.65	941,433.55
Net amount of change in fair value of trading financial assets	2,394,879.25	359,231.89		
Total	183,863,664.36	27,594,599.01	162,216,944.31	24,333,954.14

(2) Deferred Income Tax Liabilities that Had not Been Set-off

Unit: RMB

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Added value of evaluation of assets not under same control enterprise combination	14,923,964.07	2,238,594.61	16,622,301.67	2,493,345.25
Net amount of change in fair value of trading financial assets			1,571,341.66	235,701.25
Total	14,923,964.07	2,238,594.61	18,193,643.33	2,729,046.50

(3) Deferred Income Tax Assets or Liabilities Listed by Net Amount after Set-off

Unit: RMB

Item	Mutual set-off amount of deferred income tax assets and liabilities at the end of the period	Amount of deferred income tax assets or liabilities after set-off at the end of the period	Mutual set-off amount of deferred income tax assets and liabilities	Amount of deferred income tax assets or liabilities after set-off at the period-begin
Deferred income tax assets		27,594,599.01		24,333,954.14
Deferred income tax liabilities		2,238,594.61		2,729,046.50

(4) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Closing Balance	Opening Balance
Deductible losses	67,269,298.96	105,598,840.28
Fixed assets depreciation reserves	201,333.37	201,333.37
Total	67,470,632.33	105,800,173.65

(5) Deductible Losses of Unrecognized Deferred Income Tax Assets Due in the Following Years

Unit: RMB

Years	Closing balance	Opening balance	Notes
2018	13,206,217.94		
2019	0		
2020	49,162,723.17		
2021	1,734,170.90		
2022	3,166,186.95		
Total	67,269,298.96		--

Other notes:

30. Other Non-current Assets

Unit: RMB

Item	Closing Balance	Opening Balance
Prepayment of equipment	5,235,044.33	5,147,078.23
Total	5,235,044.33	5,147,078.23

Other notes:

31. Short-term Loans

(1) Category of Short-term Loans

Unit: RMB

Item	Closing Balance	Opening Balance
Pledge loan	199,095,460.59	158,177,940.16
Guaranteed loan	698,330,783.93	563,722,059.84
Credit loan		100,000,000.00
Total	897,426,244.52	821,900,000.00

Notes of short-term loans category

a. Pledge loan:

Zhuhai Hongta Renheng Packaging Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB100,000,000.00 from Shanghai Pudong Development Bank—Zhuhai Branch taking the domestic L/C received as the pledge.

Zhuhai Huafeng Paper Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB51,000,000.00 from Agricultural Bank of China—Zhuhai qianshan Branch taking the bank's acceptance bill as the pledge.

Zhuhai Huafeng Paper Co., Ltd., the holding subsidiary of the Company, obtained a loan of USD4,031,933.61 translated into RMB26,345,460.59 at the end of the Reporting Period from China Zheshang Bank—Guangzhou Branch taking the certificate of deposit, a total of USD4,150,000.00 as the pledge.

Zhuhai Golden Pheasant Chemical Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB21,750,000.00 from Agricultural Bank of China—Zhuhai Jida Branch taking the bank's acceptance bill as the pledge.

b. Guaranteed loan:

Zhuhai Hongta Renheng Packaging Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB100,000,000.00 from Bank of China—Zhuhai Gongbei Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB190,000,000.00 from Agricultural Bank of China—Zhuhai Qianshan Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB100,000,000.00 from China Construction Bank—Zhuhai Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB12,000,000.00 from Industrial and Commercial Bank of China—Gongbei Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of USD14,939,420.64 converted into RMB97,617,162.35 at the end of the Reporting Period from China Construction Bank—Macao Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of USD1,333,540.69 converted into RMB8,713,621.58 at the end of the Reporting Period from Bank of East Asia—Zhuhai Branch through the joint liability guarantee provided by the Company.

Zhuhai Huafeng Paper Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB100,000,000.00

from Agricultural Bank of China—Zhuhai Qianshan Branch through the joint liability guarantee provided by the Company.

Zhuhai Golden Pheasant Chemical Co., Ltd., the subsidiary of Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a guaranteed loan of RMB40,000,000.00 from Bank of China—Zhuhai Branch through the joint liability guarantee provided by Zhuhai Hongta Renheng Packing Co., Ltd.

Huaxin (Foshan) Color Printing Co., Ltd., the wholly owned subsidiary of the Company, obtained a guaranteed loan of RMB50,000,000.00 from China Construction Bank—Lanshi Branch through the joint liability guarantee provided by the Company.

(2) List of the Short-term Loans Overdue but not Returned

The total amount of the overdue but not returned short-term borrowings at the end of the period was of RMB 000, of which, the significant short-term borrowings overdue but not returned are as follows:

Unit: RMB

Entity	Closing balance	Borrowing rate	Overdue time	Overdue rate
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Other notes:

32. Financial Liabilities Measured by Fair Value and the Changes Included in the Current Gains and Losses

Unit: RMB

Item	Closing Balance	Opening Balance
Financial liabilities specified as measured by fair value and the changes included in the current gains and losses	2,394,879.25	
Total	2,394,879.25	

Other notes:

The closing balance was the fair value generated from the bank's forward foreign exchange contract product purchased by Zhuhai Hongta Renheng Packing Co., Ltd., the subsidiary of the Company, measured at the difference between the exchange rate of US dollar locked in the contract and the actual exchange rate on Dec. 31, 2017.

33. Derivative Financial Liabilities

☐ Applicable ☒ Not applicable

34. Notes Payable

Unit: RMB

Category	Closing Balance	Opening Balance
Bank acceptance bill	8,530,196.41	217,381,869.35

Total	8,530,196.41	217,381,869.35
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The total amount of the due but not paid notes payable at the end of the period was of RMB000.

35. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Closing Balance	Opening Balance
Payment of material	257,450,045.60	328,808,851.45
Payment of equipment	9,163,006.20	16,512,842.23
Payment of freight	53,544,546.45	13,845,621.54
Others	21,089,564.14	24,215,849.83
Total	341,247,162.39	383,383,165.05

(2) Notes of the Significant Accounts Payable Aging over One Year

Unit: RMB

Item	Closing Balance	Reason
TEMBEL INC.	3,459,076.04	Unsettled
Marubeni Corporation	2,207,483.88	Unsettled
Guangzhou Dingsheng Ind. And Trade Co., Ltd.	2,419,153.83	Unsettled
Total	8,085,713.75	--

Other notes:

36. Advance from Customers

(1) List of Advance from Customers

Unit: RMB

Item	Closing Balance	Opening Balance
Within 1 year	21,099,280.81	38,345,372.77
1-2 years	185,873.32	580,149.32
2-3 years	239,511.43	308,888.09
Over 3 years	245,079.52	565,572.21
Total	21,769,745.08	39,799,982.39

(2) Significant Advance from Customers Aging over One Year

Unit: RMB

Item	Closing Balance	Reason
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(3) Particulars of Settled but Unfinished Projects Formed by Construction Contract at the End of the Period

Unit: RMB

Item	Amount
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Other notes:

37. Payroll Payable**(1) List of Payroll Payable**

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	28,332,211.67	177,173,484.44	176,436,928.25	29,068,767.86
II. Post-employment benefit-defined contribution plans		17,355,412.31	17,162,021.84	193,390.47
III. Termination benefits		5,379,501.90	5,379,501.90	
Total	28,332,211.67	199,908,398.65	198,978,451.99	29,262,158.33

(2) List of Short-term Salary

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	20,163,839.67	152,505,465.11	153,212,694.62	19,456,610.16
2. Employee welfare		8,566,329.72	8,566,329.72	
3. Social insurance		7,069,008.36	7,069,008.36	
Including: 1. Medical insurance premiums		6,117,677.06	6,117,677.06	
Work-related injury insurance		438,678.92	438,678.92	
Maternity insurance		512,652.38	512,652.38	

4. Housing fund	114,394.00	5,079,261.66	5,193,655.66	
5. Labor union budget and employee education budget	8,053,978.00	3,953,419.59	2,395,239.89	9,612,157.70
Total	28,332,211.67	177,173,484.44	176,436,928.25	29,068,767.86

(3) List of Drawing Scheme

Unit: RMB

Item	Opening Balance	Increase	Decrease	Closing Balance
1. Basic pension benefits		12,561,381.34	12,561,381.34	
2. Unemployment insurance		303,833.90	303,833.90	
3. Enterprise annuity		4,490,197.07	4,296,806.60	193,390.47
Total		17,355,412.31	17,162,021.84	193,390.47

Other notes:

38. Taxes Payable

Unit: RMB

Item	Closing Balance	Opening Balance
VAT	9,173,589.49	16,754,326.63
Corporate income tax	4,829,691.00	8,941,924.35
Personal income tax	220,969.58	172,153.74
Urban maintenance and construction tax	443,966.24	902,485.46
Property tax	3,997,526.54	6,286,965.76
Education Surcharge	317,118.82	644,860.36
Stamp tax	149,295.59	107,199.04
Land use tax	2,264,945.84	2,277,941.49
Total	21,397,103.10	36,087,856.83

Other notes:

39. Interest Payable

Unit: RMB

Item	Closing Balance	Opening Balance
Enterprise bond interest	4,455,452.06	9,031,776.01
Interest payable of short-term loans	3,354,342.94	2,414,317.93

Interest payable of loans provided related parties	55,585.83	
Total	7,865,380.83	11,446,093.94

Particulars of significant overdue unpaid interest:

Unit: RMB

Entity	Overdue amount	Overdue reason
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Other notes:

40. Dividends Payable

Unit: RMB

Item	Closing Balance	Opening Balance
Common stock dividends	12,116,789.76	3,468,350.84
Total	12,116,789.76	3,468,350.84

Notes: Including significant unpaid dividends payable over one year, relevant reasons shall be disclosed:

Closing balance of dividends payable mainly was the profits of minority shareholder of Golden Pheasant Chemicals Co., Ltd.

41. Other Accounts Payable

(1) Other Accounts Payable Listed by Nature of the Account

Unit: RMB

Item	Closing Balance	Opening Balance
Pledged and margin	13,124,079.64	7,469,278.11
Prepayment	6,232,605.94	6,530,702.85
Capital of related parties	8,110,384.98	570,384.98
Final payment of engineering	1,158,579.69	1,433,095.30
Others	2,203,530.86	2,422,821.83
Total	30,829,181.11	18,426,283.07

(2) Other Significant Accounts Payable with Aging over One Year

Unit: RMB

Item	Closing Balance	Unpaid/ Un-carry-over reason
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Other notes

42. Liabilities Classified as Holding for Sale

Unit: RMB

Item	Closing Balance	Opening Balance
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Other notes:

43. Non-current Liabilities Due within 1 Year

Unit: RMB

Item	Closing Balance	Opening Balance
Long-term bonds payable due within 1 year	199,834,258.85	798,066,823.66
Total	199,834,258.85	798,066,823.66

Other notes:

Changes on HuabaoDebt

Bond Name	Nominal Value	Date of Issue	Term of Bond	Amount	Opening Balance
12HuabaoDebt	800,000,000.00	2012/11/26	5 years	791,700,000.00	798,066,823.66
Total	800,000,000.00	2012/11/26	5 years	791,700,000.00	798,066,823.66

Continued:

Bond Name	The current issue	Withdraw interest at par	Overflow discount amortization	Payment in current period	Closing Balance
12HuabaoDebt	---	41,822,516.05	1,911,935.78	796,154,887.88	---
Total	---	41,822,516.05	1,911,935.78	796,154,887.88	---

In accordance with the Resolution Made at the 6th meeting of the 5th Board of Directors on Dec. 16, 2012, and the Resolution Made at the First Special Shareholders' General Meeting for 2012 on Jan. 4, 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 May 28, 2012, the Company publicly issued 8 million pieces of corporate bonds with the par value of RMB100 per piece by adopting the way 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 RMB791,700,000.00. The bonds using simple interest shall be paid on yearly basis without the compound interest. The bonus has been paid on Nov. 26, 2017 when it was due.

44. Other Current Liabilities

Unit: RMB

Item	Closing Balance	Opening Balance
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Changes on short term bonds payable:

Unit: RMB

Name of the bond	Book value	Issue date	Period	Issue amount	Opening balance	The current	Withdraw interest at	Overflow discount	Pay in current		Closing Balance
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						issue	par	amortizati on	period		
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Other notes:

45. Long-term Loan

(1) Category of Long-term Loan

Unit: RMB

Item	Closing Balance	Opening Balance
Guaranteed loan	200,000,000.00	
Total	200,000,000.00	

Notes of long-term loans category:

Other notes including interest rate range:

The guaranteed loan was a 2-year loan from Export-Import Bank of China obtained by Zhuhai Hongta Renheng Packing Co., Ltd., the subsidiary of the Company, through the joint liability guarantee provided by the Company.

46. Bonds Payable

(1) Bonds Payable

Unit: RMB

Item	Closing Balance	Opening Balance
Medium-term notes of the bank		199,520,397.22
Total		199,520,397.22

(2) Changes on Bonds Payable (not Including Other Financial Instrument Classified as Preferred Stock and Perpetual Capital Securities of Financial Liabilities)

Unit: RMB

Name of the bond	Book value	Issue date	Period	Issue amount	Opening balance	The current issue	Withdraw interest at par	Overflow discount amortization	Pay in current period	Reclassified into non-current liability due within 1 year in the Current Period	Closing Balance
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HuabaoM TN001	200,000,0 00.00	07/31/201 5	3 years	199,100,0 00.00	199,520,3 97.22		10,560,00 0.00	313,861.6 3		199,834,2 58.85	0.00
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(3) Note to Conditions and Time of Share Transfer of Convertible Bonds

(4) Note to Other Financial Instrument Classified as Financial Liabilities

Basic information of preferred stock, perpetual capital securities and other financial instruments outstanding issued at the end of the period

Change list of preferred stock, perpetual capital securities and other financial instruments outstanding issued at the end of the period

Unit: RMB

Financial instruments outstanding issued	Opening period		Increase		Decrease		Closing period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Notes to the basis of other financial instrument classified as financial liabilities

Other Notes:

In line with the Second Special Meeting of the General Shareholders held by the company on Nov. 10, 2014, the meeting reviewed and approved the Proposal of the Issue of Medium-Term Notes, agreeing to issue no more than RMB five hundred million of the medium-term notes. The Company received the Acceptance of Registration Notice ZSXZ [2015] No. MTN253, agreeing to accept the Company's registration of Medium-Term Notes. The Company's total issue amount was RMB200, 000,000.00 with the coupon rate 5.28% and the term of Medium-Term Notes was 3 years. Meanwhile, the total raised capital after deducting the bond issuance underwriting fees and custodian fees was RMB199,100,000.00. The bonds using simple interest shall be paid on yearly basis without the compound interest. The final phase of interest was paid together with the principal redemption, and the interest period started from Jul. 31, 2015. It will be due on Jul. 31, 2018 and was listed under the item of "Non-current Liability due within 1 year" at the end of the Reporting Period.

47. Long-term Payable

(1) Long-term Payable Listed by Nature of the Account

Unit: RMB

Item	Closing Balance	Opening Balance
Finance lease	825,912.17	3,137,995.76
Loan from non-financial institution	16,000,000.00	
Total	16,825,912.17	3,137,995.76

Other notes:

The loan from non-financial institution was a loan of RMB16,000,000.00 with 4.35% of annual interest rate obtained by Zhujiang Golden Pheasant Chemical Co., Ltd., the holding subsidiary of the Company, provided by its shareholder, Zhejiang Golden Pheasant Group Co., Ltd.

48. Long-term Payroll Payable**(1) List of long-term Payroll Payable**

Unit: RMB

Item	Closing Balance	Opening Balance
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(2) Changes of Defined Benefit Plans

Present worth of defined benefit plans obligation:

Unit: RMB

Item	Reporting Period	Same period of last year
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Plan assets:

Unit: RMB

Item	Reporting Period	Same period of last year
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Net liabilities (net assets) of defined benefit plans

Unit: RMB

Item	Reporting Period	Same period of last year
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Notes to the influence of the content and related risk of defined benefit plans to the future cash flows, time and uncertainty of the Company:

Notes to analysis results of major actuarial assumptions and sensibility of defined benefit plans

Other Notes:

49. Special Payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
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Other notes:

50. Accrued Liabilities

Unit: RMB

Item	Closing Balance	Opening Balance	Formation reasons
Pending litigation		425,523.53	Estimated litigation compensation
Product quality guarantee	1,366,445.61	1,691,834.27	Predicted losses resulting from any product quality problem
Total	1,366,445.61	2,117,357.80	--

Other Notes: including related important assumptions and estimates of accrued liabilities:

51. Deferred Income

Unit: RMB

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation reasons
Government subsidies	18,225,377.45	15,463,800.00	2,915,637.18	30,773,540.27	
Total	18,225,377.45	15,463,800.00	2,915,637.18	30,773,540.27	--

Items involved in government subsidies:

Unit: RMB

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Renovation project of the information system of paper-making enterprise energy management center	752,000.00		32,000.00		720,000.00	Related to the assets
Project of the information system of paper-making enterprise energy management center	350,000.00		350,000.00			Related to the assets
No. 1 paper machine update & renovation project	233,600.00		9,600.00		224,000.00	Related to the assets
Liquid paper renovation project	268,333.24		35,000.04		233,333.20	Related to the assets
Funds for energy-saving and emission-reduction	300,000.00		300,000.00			Related to the assets
Renovation project of the	1,376,666.67		279,999.96		1,096,666.71	Related to the assets

information system of energy management center						
Steam condensation water recycling and energy saving projects	1,920,000.00		384,000.00		1,536,000.00	Related to the assets
Subsidy of improvement of Zhuhai motor efficiency	2,098,191.57		699,397.24		1,398,794.33	Related to the assets
Subsidy of latex phase II production line technological transformation	342,000.00		114,000.00		228,000.00	Related to the assets
BM1 ink-jet printer system and drive system upgrade synthesis technique transformation project	7,907,152.67	2,471,300.00	346,824.96		10,031,627.71	Related to the assets
Zhuhai Gaolan Port national treasury equipment renewal (Robot Application) special fund subsidies	1,001,866.63		41,600.04		960,266.59	Related to the assets
Energy management center energy-saving technological innovation support fund	1,119,426.67		227,679.96		891,746.71	Related to the assets
Post-awarded subsidies of	556,140.00	3,747,398.54	35,377.14		4,268,161.40	Related to the assets

Automatic packaging line technical innovation						
Post-awarded subsidies of HCB-Turn Nozzle optimization and technological transformation project		1,760,175.14	6,069.57		1,754,105.57	Related to the assets
Post-awarded subsidies of TP liquid food packing board synthesis technique transformation project		4,937,748.66			4,937,748.66	Related to the assets
Post-awarded subsidies of MES technical renovation project of Zhuhai Huafeng Paper Co., Ltd.		1,947,177.66	54,088.27		1,893,089.39	Related to the assets
Support funds for restoring production after typhoon		600,000.00			600,000.00	Related to the assets
						Related to the assets
Total	18,225,377.45	15,463,800.00	2,915,637.18		30,773,540.27	--

Other notes:

1. 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 RMB800,000.00 for the information system renovation project of the Paper-making Enterprises Energy. The system had been put into use in 2015, which amortized in line with asset depreciation period. In 2013, the Company received the government subsidiary RMB1.4 million, and the system had been put into use in 2014, which amortized in line with asset depreciation period, and the system had been put into use in

2014, which amortized in line with asset depreciation period.

2. Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. gained the government grant of RMB240,000.00 for No. 1 paper machine update & renovation project in Oct. 2012. Such government subsidies related to the assets were put into use in 2016, and shall be amortized based on the assets' service life.

3. RMB350,000 of government subsidies for Tetra liquid paper renovation project was received by Hongta Renheng in Nov. 2013. The system was put in use, and shall be amortized according to their service life from the year 2014 on.

4. RMB1.2 million of special fund for Guangdong Provincial Energy-saving and circular economy project in December 2013 was received by Hongta Renheng. The system was put in use, and shall be amortized according to their service life from the year 2014 on.

5. According to the Announcement on Ordering Special Funds for Province Energy Saving in 2012 (the second) (ZCG [2012] No. 123), the subsidiary of the Company Zhuhai Huafeng Co., Ltd. received RMB1.92 million of government subsidies for steam condensation water recycling and energy saving projects, RMB 1.40 million of government subsidies for information system project and energy management center project in Feb, 2013. The above assets-related government subsidies shall be amortized based on the service life from 2016 on.

6. In line with the Announcement on Rules for the Implementation of Subsidiary Improvement of Motor Efficiency of Guangdong Province (YCG [2013] No. 389) and the Announcement on Rules for the Implementation of Subsidiary Improvement of Motor Efficiency of Zhuhai (ZKGMX [2014] No. 392) issued by Guangdong Finance Department and Economic and Information Council of Guangdong, the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. received RMB1, 813,877.00 of Government Subsidy for Improvement of Motor Efficiency. Zhuhai Huafeng Co., Ltd.. The Subsidiary of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd., received RMB1, 683,109.00 of Government Subsidy for Improvement of Motor Efficiency. The purchased equipment was put into use in 2015, and shall be amortized based on its service life from this year on.

7. In line with the spirit of the Announcement on Advice on Implementation of Promoting Industry Structure Adjustment (ZHF[2010] No. 162) and Interim Measures of Zhuhai Technology Innovation Assets Management (ZKGMX [2013] No. 259), Zhuhai Jinji Chemicals Co., Ltd. under the control of the Company received government subsidiary RMB570,000. Latex phase II Project was completed and put into use in 2015 and shall be amortized based on its service life.

8. (1) According to the Notice of Printing and Issuing Guangdong Industrial Enterprise Technical Innovation After-awarded Subsidies Rules published by The Economic & Information Commission of Guangdong Province and Department of Finance of Guangdong Province, the subsidiary Hongta Renheng received RMB 8,201,800.00 as the subsidies for BM1 ink-jet printer system and drive system upgrade synthesis technique transformation project on December 22, 2016, and such subsidiaries were put into use in 2016, and shall be amortized since 2016 based on the service life period of the assets.

(2) According to the Reply on Technical Innovation Capital Allocation in Xiangzhou District for the Year 2015 issued by the people's government in Xiangzhou District of Zhuhai and relevant annexes, the company's subsidiary Hongta Renheng received RMB 240,000.00 granted by the Finance Bureau in Xiangzhou District of Zhuhai as subsidies for BM1 ink-jet printer project on February 29, 2016. Such system was successfully upgraded and put into service this year. The company will receive RMB 8,441,800.00 as subsidies for the project, which shall be amortized based on the service life period of the assets.

(3) According to the Notice of Printing and Issuing Guangdong Industrial Enterprise Technical Innovation After-awarded Subsidies Rules published by The Economic & Information Commission of Guangdong Province and Department of Finance of Guangdong Province, the subsidiary Hongta Renheng received RMB2,471,300.00

as the subsidies for BM1 ink-jet printer system and drive system upgrade synthesis technique transformation project on December 26, 2017, and the related subsidiaries shall be amortized based on the residual service life period of the assets.

9. According to the special recheck on provincial enterprise transformation special equipment upgrade (Robot Application) project conducted by The Economic & Information Commission of Guangdong Province and Department of Finance of Guangdong Province, the company's subsidiary Zhuhai Huafeng received RMB 1.04 million as the special funds for Zhuhai Gaolan Port national treasury equipment renewal (Robot Application) project on February 26, 2016. Such equipment was put into service in 2016, which shall be amortized based on the service life period of the assets.

10. According to the Notice on 2016 Energy-saving Special Funds Project Declaration issued by Gaolan Port Energy-saving & Cost-reducing Leading Group Office, the company's subsidiary Zhuhai Huafeng received RMB1,138,400.00 as the energy management center energy-saving technical innovation support funds on December 27, 2016. The Company has completed the construction of energy management center energy-saving project which has been transferred into fixed assets, and corresponding amortization shall be conducted based on the service life period of the assets.

11. According to the Notice on 2016 Guangdong Provincial Enterprise Technical Innovation Post-awarded Subsidies Publicity issued by Zhuhai Technology and Industrial Informatization Bureau, the Company's subsidiary Zhuhai Huafeng received RMB 558,000.00 as the automatic packaging line project technical innovation post-awarded subsidies on December 16, 2016. The technical innovation project was completed, and corresponding amortization shall be conducted based on the service life period of the assets.

12. According to the Notice of Printing and Issuing Guangdong Industrial Enterprise Technical Innovation After-awarded Subsidies Rules published by The Economic & Information Commission of Guangdong Province and Department of Finance of Guangdong Province, the Company's subsidiary Zhuhai Huafeng received RMB 3,747,398.54 as the automatic packaging line project technical innovation post-awarded subsidies, RMB1,760,175.14 as the HCB-Turn Nozzle optimization and technological transformation project post-awarded subsidies, RMB4,937,748.66 as the TP liquid food packing board synthesis technique transformation project post-awarded subsidies and RMB1,947,177.66 as the Post-awarded subsidies of MES technical renovation project of Zhuhai Huafeng Paper Co., Ltd. And the related subsidiaries shall be amortized based on the residual service life period of the assets.

13. According to the Policies and Measures Pertaining to Enhancing Industrial Enterprise to Restore Production after Disasters in Jinwan District issued by Jinwan District People's Government Office in Zhujiang City, the Company's subsidiary Zhuhai Huafeng received RMB600,000.00 as the support funds for restoring production after typhoon on Dec. 26, 2017.

52. Other Non-current Liabilities

Unit: RMB

Item	Closing Balance	Opening Balance
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Other notes:

53. Share Capital

Unit: RMB

	Opening balance	Increase/decrease (+/-)					Closing Balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	505,425,000.00						505,425,000.00

Other notes:

54. Other Equity Instruments

(1) Basic Information of Preferred Stock, Perpetual Capital Securities and Other Financial Instruments Outstanding Issued at Period-begin

(2) Change List of Preferred Stock, Perpetual Capital Securities and Other Financial Instruments Outstanding Issued at Period-begin

Unit: RMB

Financial instruments outstanding issued	Opening period		Increase		Decrease		Closing period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Changes, reason of change and basis of relevant accounting treatment of other equity instruments in Reporting Period:

Other Notes:

55. Capital Reserves

Unit: RMB

Item	Opening Balance	Increase	Decrease	Closing Balance
Capital premium	256,362,525.38			256,362,525.38
Other capital reserves	459,848.04			459,848.04
Total	256,822,373.42			256,822,373.42

Other Notes: including changes and reason of change:

56. Treasury Stock

Unit: RMB

Item	Opening Balance	Increase	Decrease	Closing Balance
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Other Notes: including changes and reason of change:

57. Other Comprehensive Income

Unit: RMB

Item	Opening Balance	Reporting Period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
II. Other comprehensive shall be reclassified into profits or losses in future	169,714.39						169,714.39
Of which: Shares in other comprehensive income shall be reclassified into profits or losses in future in investee entity under the equity method	169,714.39						169,714.39
Total	169,714.39						169,714.39

Other Notes: including the adjustment of the recognition of initial amount of effective part of the cash flow hedging gains and losses transferred into arbitrated items:

58. Special Reserves

Unit: RMB

Item	Opening Balance	Increase	Decrease	Closing Balance
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Other Notes, including changes and reasons of change:

59. Surplus Reserves

Unit: RMB

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserves	190,275,071.84	2,372,378.77		192,647,450.61
Total	190,275,071.84	2,372,378.77		192,647,450.61

Other notes, including changes and reasons of change:

60. Retained Profits

Unit: RMB

Item	Reporting Period	Last period
Opening balance of retained profits before adjustments	1,027,703,010.59	988,580,048.92
Opening balance of retained profits after adjustments	1,027,703,010.59	988,580,048.92
Add: Net profit attributable to owners of the Company	18,637,865.97	61,324,088.11
Less: Withdrawal of statutory surplus reserves	2,372,378.77	2,994,976.44
Dividend of common stock payable	16,173,600.00	19,205,150.00
Closing retained profits	1,027,794,897.79	1,027,703,010.59

List of adjustment of opening retained profits:

- 1) RMB000 opening retained profits were affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- 2) RMB000 opening retained profits were affected by changes on accounting policies.
- 3) RMB000 opening retained profits were affected by correction of significant accounting errors.
- 4) RMB000 opening retained profits were affected by changes in combination scope arising from same control.
- 5) RMB000 opening retained profits were affected totally by other adjustments.

61. Revenues and Operating Costs

Unit: RMB

Item	Reporting Period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	3,387,712,195.06	2,948,469,093.13	3,063,791,535.10	2,565,346,640.38
Other operations	195,445,451.31	159,896,380.04	543,967,368.91	521,730,590.17
Total	3,583,157,646.37	3,108,365,473.17	3,607,758,904.01	3,087,077,230.55

62. Business Tax and Surcharges

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	6,902,983.13	9,299,355.68
Education Surcharge	4,933,650.70	6,647,644.32
Property Tax	6,460,903.34	3,510,734.89

Land use tax	2,412,212.48	1,607,318.60
Vehicle and vessel use tax	43,663.68	33,613.92
Stamp Duty	2,213,596.95	1,342,996.36
Dike Fees		229,590.28
Total	22,967,010.28	22,671,254.05

Other notes:

63. Sales Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Salary and benefits	13,510,588.27	12,796,044.47
Business entertainment fees	6,092,497.55	5,285,187.73
Packing charges	10,055,322.24	9,580,068.52
Warehousing fees	4,020,228.11	3,466,319.28
Transport fees	141,141,510.57	134,309,505.72
Office expenses	726,361.44	1,067,253.08
Others	7,377,215.37	15,459,529.51
Total	182,923,723.55	181,963,908.31

Other notes:

64. Administrative Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Salary and benefits	43,313,668.97	39,144,638.78
Social insurance	20,611,798.52	17,429,542.48
Housing fund	4,287,169.43	4,197,117.76
Tax		3,956,658.53
Amortization of depreciation fee	19,587,722.05	19,381,114.99
Office expenses	3,422,223.93	3,057,375.69
R&D expenses	5,134,464.54	4,914,523.37
Employ agency fee	7,384,158.05	5,872,853.30
Water & electricity fees	4,858,252.20	4,280,847.73
Rental fee	1,209,743.51	1,828,796.99
Business travel charges	2,726,094.32	3,118,674.68

Business entertainment fees	1,982,313.19	2,244,273.23
Material Consumption	3,156,395.79	2,550,902.70
Others	7,802,803.78	9,146,484.02
Total	125,476,808.28	121,123,804.25

Other notes:

65. Financial Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expenses	122,634,675.32	113,981,677.05
Less: Interest income	20,462,322.12	26,563,359.13
Exchange gains and losses	15,787,286.73	-6,945,672.70
Others	3,668,284.72	3,276,983.15
Total	121,627,924.65	83,749,628.37

Other notes:

Financial expenses resulting during this period increased 45.23% when compared to that of last year due to loan interest expenses from non-financial institutes and the increase in exchange loss.

66. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss	2,314,605.74	377,092.02
II. Inventory falling price loss	2,395,617.41	-4,448,233.15
Total	4,710,223.15	-4,071,141.13

Other notes:

Influenced by the bad debt reserve and inventory falling price accrued in accordance with the accounting policy by Hongta Renheng and Zhuhai Huafeng in the Current Period, the asset impairment loss during this period increased 215.70% when compared to that last year.

67. Gains on the Changes in the Fair Value

Unit: RMB

Source	Reporting Period	Same period of last year
Financial assets measured by fair value and the changes be included in the current profits and losses	-1,571,341.66	1,571,341.66
Financial liabilities measured by fair value	-2,394,879.25	

and the changes included in the current gains and losses		
Total	-3,966,220.91	1,571,341.66

Other notes:

The gains on the changes in the fair value was the fair value of floating interest receivable generated from the financial product of bank's structural deposit purchased by Zhuhai Hongta Renheng Packing Co., Ltd. and Zhuhai Huafeng Paper Co., Ltd., the Company's subsidiaries, that became due in the Current Period confirmed in the earlier stage of its redemption and rushing back for expiration, as well as the fair value of change in exchange rate of FX Forward signed by Zhuhai Hongta Renheng Packing Co., Ltd.

68. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	22,353,488.34	15,434,824.76
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses	5,292,680.54	3,965,056.76
Investment income received from disposal of available-for-sale financial assets	6,995,738.12	
Total	34,641,907.00	19,399,881.52

Other notes:

Investment income in the Current Period increased 78.57% compared to that of last year mainly caused by the increase of revenues of Chengtong Finance Co., Ltd. and the recognition of investment income resulting from the redemption of early structural financial product when it was due.

69. Gains on the Disposal of Assets

Unit: RMB

Source	Reporting Period	Same period of last year
Gains or losses on the disposal of fixed assets	689,820.93	-192,618.05
Total	689,820.93	-192,618.05

70. Other Income

Unit: RMB

Source	Reporting Period	Same period of last year
I. The government subsidy amortization	2,915,637.18	

amount in deferred revenues		
Subtotal	2,915,637.18	
II. Government subsidy related to revenues		
Differential subsidy for industrial water	3,283,000.00	
2016 Special fund for Science & Technology development (R & D subsidy	1,806,625.00	
Government subsidy from Zhuhai International Container Terminals (Gaolan) Limited	493,500.00	
2016 Provincial financial aid for enterprise's R & D	530,700.00	
2015 Hi-tech Enterprise Cultivating Subsidy	300,000.00	
2016 Hi-tech Enterprise Subsidy	202,000.00	
2015 Subsidy for industrial technological transformation as support funds	703,500.00	
2016 Provincial post-awarded subsidy for technological transformation	292,000.00	
Subsidy for R & D institutions as the incentive	500,000.00	
The matching funds for expanding import from Jan. to Jun. 2017	962,469.48	
2017 Funds for the cognizance and cultivation of High-tech Enterprise	300,000.00	
2015 Surplus of Special Funds for Provincial technological transformation	450,000.00	
Others	1,052,080.13	
Subtotal	10,875,874.61	
Total	13,791,511.79	

71. Non-operating Gains

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Government subsidies		26,022,524.47	
Compensation income	1,504,158.25	556,269.23	1,504,158.25
Others	2,908,797.32	1,911,143.28	2,908,797.32

Total	4,412,955.57	28,489,936.98	4,412,955.57
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Government subsidies recorded into current profits and losses:

Unit: RMB

Item	Distribution entity	Distribution reason	Nature/type	Whether influence the profits or losses of the year or not	Whether Special subsidy or not	Reporting Period	Same period of last year	Related to the assets/income
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Other notes:

The non-operating gains in the Reporting Period decreased 84.51% compared to that of last year because the government subsidies related to the Company's daily running of business was recorded into other income in line with the new accounting standard.

72. Non-operating Expenses

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Donation	29,750.00	100,000.00	29,750.00
Damage and abandonment loss on non-current assets	414,517.07	497,426.66	414,517.07
Fines, compensation, fine for delaying payment	815,704.33	650,989.04	815,704.33
Raw material abandoning loss	132,982.11	1,601,538.57	132,982.11
Loss on abnormal cessation	27,797,264.89		27,797,264.89
Others	66,618.45	378,473.80	66,618.45
Total	29,256,836.85	3,228,428.07	29,256,836.85

Other notes:

The non-operating expenses in the Reporting Period decreased 806.23% compared to that of last year mainly caused by the loss on abnormal cessation of Hongta Renheng and Zhuhai Huafeng, the Company's holding subsidiaries, for "3.4 Safety Accident" and "Hato" Typhoon.

73. Income Tax Expense

(1) Lists of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	5,922,905.23	13,453,252.51

Deferred income tax expense	-3,751,096.76	8,729,598.56
Total	2,171,808.47	22,182,851.07

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Total profits	37,399,620.82
Current income tax expense accounted by tax and relevant regulations	9,349,905.21
Influence of different tax rate suitable to subsidiary	-1,699,053.78
Influence of income tax before adjustment	-3,001,477.07
Influence of non-taxable income	-782,392.15
Influence of not deductible costs, expenses and losses	4,813,423.22
Influence of deductible losses of unrecognized deferred income tax assets used in previous years	-6,411,230.85
Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax assets	177,253.26
The influence of R&D fee plus the deduction	-274,619.37
Income tax expense	2,171,808.47

Other notes

74. Other Comprehensive Incomes

Refer to the note 57.

75. Information on Cash Flow Statement

(1) Other Cash Received Related to Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Intercourse funds	20,712,965.39	54,360,640.47
Government subsidies	11,475,874.61	23,868,796.04
Interest income	26,629,976.60	26,781,477.65
Others	7,944,511.69	870,813.21
Total	66,763,328.29	105,881,727.37

Notes:

(2) Other Cash Paid Related to Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Intercourse funds	55,652,086.82	28,158,591.74
Expense	51,716,874.45	60,825,338.63
Employee pretty cash	2,761,745.19	5,873,971.96
Total	110,130,706.46	94,857,902.33

Notes:

(3) Other Cash Received Related to Investment Activity

Unit: RMB

Item	Reporting Period	Same period of last year
Government subsidies	14,863,800.00	11,178,200.00
Principal of structural deposit	209,000,000.00	
Principal and corresponding interest of lending	511,909,915.83	
Total	735,773,715.83	11,178,200.00

Notes:

(4) Other Cash Paid Related to Investment Activity

Unit: RMB

Item	Reporting Period	Same period of last year
Principal of structural deposit	1,000,000.00	209,000,000.00
Total	1,000,000.00	209,000,000.00

Notes:

(5) Other Cash Received Related to Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Restricted monetary capital used for margin or pledge	176,891,765.59	323,746,286.83
Non-financial institute's Loans	16,000,000.00	2,000,000.00
Total	192,891,765.59	325,746,286.83

Notes:

(6) Other Cash Paid Related to Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Restricted monetary capital used for margin or pledge	33,400,956.90	176,891,765.59
The related party's Loans		2,000,000.00
Total	33,400,956.90	178,891,765.59

Notes:

76. Supplementary Information to Cash Flow Statement**(1) Supplementary Information to Cash Flow Statement**

Unit: RMB

Supplementary Information	Reporting Period	Last period
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	35,227,812.35	139,101,482.58
Add: Provision for impairment of assets	4,710,223.15	-4,071,141.13
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	159,400,760.10	158,767,541.49
Amortization of intangible assets	7,993,240.03	6,626,299.17
Long-term unamortized expenses	1,267,488.68	1,101,810.87
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-689,820.93	192,618.05
Losses on abandonment of fixed assets (gains: negative)	414,517.07	497,426.66
Losses from variation of fair value	3,966,220.91	-1,571,341.66
Financial cost (gains: negative)	108,435,156.14	100,551,844.85
Investment loss (gains: negative)	-34,641,907.00	-19,399,881.52
Decrease in deferred income tax assets (gains: negative)	-3,260,644.87	8,875,684.14
Increase in deferred income tax liabilities ("-" means decrease)	-490,451.89	-146,085.58
Decrease in inventory (gains: negative)	26,685,441.54	114,436,773.04
Decrease in accounts receivable from	-3,060,477.48	-180,524,601.22

operating activities (gains: negative)		
Increase in payables from operating activities (decrease: negative)	-342,732,278.88	84,672,681.34
Net cash flows generated from operating activities	-36,774,721.08	409,111,111.08
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	254,251,911.75	357,103,700.82
Less: Opening balance of cash	357,103,700.82	185,960,324.24
Net increase in cash and cash equivalents	-102,851,789.07	171,143,376.58

(2) Net Cash Paid Obtaining from the Subsidiary

Unit: RMB

	Amount
Of which:	--
Of which:	--
Of which:	--

Other notes:

(3) Net Cash Received from the Disposal of the Subsidiary

Unit: RMB

	Amount
Of which:	--
Of which:	--
Of which:	--

Other notes:

(4) Cash and Cash Equivalents

Unit: RMB

Item	Closing Balance	Opening Balance
I. Cash	254,251,911.75	357,103,700.82
Including: Cash on hand	173,601.37	137,530.97
Bank deposit on demand	254,078,310.38	356,966,169.85
III. Closing balance of cash and cash	254,251,911.75	357,103,700.82

equivalents		
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Other notes:

77. Note of Statement of Changes in the Owner's Equity

Explain "others" project name and adjustment amount of the adjustment of closing balance in previous year, etc.:

78. The Assets with the Ownership or Use Right Restricted

Unit: RMB

Item	Closing book value	Reason
Monetary Capital	33,400,956.90	Margin
Notes receivable	70,176,980.33	
Other current assets	1,000,000.00	
Total	104,577,937.23	--

Other notes:

79. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Of which: Dollars	15,309,312.23	6.5342	100,034,107.97
Hong Kong Dollars	14,325.04	0.8359	11,974.30
Pounds	247,974.34	8.7792	2,177,016.33
Of which: Dollars	5,256,773.12	6.5342	34,348,806.92
Hong Kong Dollars	2,982,178.46	0.8359	2,492,802.97
Other accounts receivable			
Of which: Hong Kong Dollars	15,052,435.31	0.8359	12,582,330.68
Short-term loans			
Of which: Dollars	20,304,894.94	6.5342	132,676,244.52
Accounts payable			
Of which: Dollars	19,808,200.18	6.5342	129,430,741.58
EUR	12,444.00	78023	97,091.83

Other notes:

(2) Notes to Overseas Entities Including: for Significant Oversea Entities, Main Operating Place, Recording Currency and Selection Basis Shall Be Disclosed; if there Are Changes into Recording Currency, Relevant Reasons Shall Be Disclosed.

☐ Applicable ☒ Not applicable

80. Arbitrage

Arbitrage item, relevant arbitrage tools and the arbitrated risk qualitative and quantitative information disclosed based on arbitrage category:

81. Others

VIII. Changes of Merger scope

1. Business Merger not under Same Control

(1) Business Merger not under Same Control in Reporting Period

Unit: RMB

Name of acquiree	Time and place of gaining the stock rights	Cost of gaining the stock rights	Proportion of stock rights	Way to gain the stock rights	Purchase date	Recognition basis of purchase date	Income of acquiree during the purchase date to period-end	Net profits of acquiree during the purchase date to period-end
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Other notes:

(2) Combined Cost and Goodwill

Unit: RMB

Combined cost	
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Note to determination method, consideration and changes of fair value of combined cost:

The main formation reason for the large goodwill:

Other Notes:

(3) The Identifiable Assets and Liabilities of Acquiree on Purchase Date

Unit: RMB

	<table> <tr> <th>Fair value on purchase date</th><th>Book value on purchase date</th></tr> </table>	Fair value on purchase date	Book value on purchase date
Fair value on purchase date	Book value on purchase date		

The recognition method of the fair value of identifiable assets and liabilities

Contingent liability of acquiree undertaken by business merger

Other Notes:

(4) The Profit or Loss from Equity Held by the Date before Acquisition in Accordance with the Fair Value Measured Again

Whether there is a transaction that through multiple transaction step by step to realize enterprises merger and gaining the control during the Reporting Period

☐ Yes ☒ No

(5) Notes to Reasonable Consideration or Identifiable Assets, Fair Value of Liabilities of the Acquiree that Cannot Be Determined on the Acquisition Date or during the Closing Period of the Merge

(6) Other Notes

2. Business Combination under the Same Control

(1) Business Combination under the Same Control during the Reporting Period

Unit: RMB

Combined party	Proportion of the profits	Basis	Combination date	Recognition basis of combination date	Income from the period-begin to the combination date of the combination	Net profits from the Reporting Period to the combination date of the combination	Income during the period of comparison	Net profits during the period of comparison

Other notes:

(2) Combination Cost

Unit: RMB

Combination Cost	

Note to contingent consideration or other changes:

Other Notes:

(3) The Book Value of the Assets and Liabilities of the Combined Party on Combining Date

Unit: RMB

	Combination date	Period-end of last period

Contingent liabilities of the combined party undertaken in combination

Other Notes:

3. Counter Purchase

Basic transaction information, the basis for transaction constituting counter purchase and the assets and liabilities retained by the listed company could enable the confirmation of business and corresponding basis and the combined cost as well as the amount of adjusted rights and interests when handled based on equity transaction, and corresponding calculation:

4. The Disposal of Subsidiary

Whether there is a single disposal of the investment to the subsidiary and lost control?

☐ Yes ☒ No

Whether there are several disposals of the investment to the subsidiary and lost controls?

☐ Yes ☒ No

5. Other Reasons for the Changes in Combination Scope

Note to reasons for the changes in combination scope (Newly established subsidiary and subsidiary of liquidation) and relevant information:

During the Reporting Period, Foshan Hongta Liyan Material Technology Co., Ltd. had been written off, so no longer included into consolidated financial statements.

6. Other

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) The Structure of the Enterprise Group

Name of the subsidiary	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of Gaining
				Directly	Indirectly	
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Zhuhai	Zhuhai	Manufacturing industry	41.97%		Business combination not under the same control
Zhuhai Huafeng Paper Co., Ltd.	Zhuhai	Zhuhai	Manufacturing industry		100.00%	Business combination under the same control
Zhuhai Golden Pheasant Chemical Co., Ltd.	Zhuhai	Zhuhai	Manufacturing industry		51.00%	Business combination not under the same control

Huaxin (Foshan) Color Printing Co., Ltd.	Foshan	Foshan	Manufacturing industry	100.00%		Establishment
Kunshan Focai Packaging & Printing Co., Ltd.	Suzhou	Suzhou	Manufacturing industry	100.00%		Establishment
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	Jiaxing	Jiaxing	Manufacturing industry	100.00%		Establishment

Notes: holding proportion in subsidiary different from voting proportion:

On acquisition date as Jun. 30, 2009, the Company gained 40.176% shares of Hongta Renheng by the way 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 it shall be consolidated into the consolidated statement of the Company since Jul. 2009.

On Feb. 1, 2010, Hongta Renheng finished relevant change procedures for capital increase in industry and commerce, and thus shares of Hongta Renheng held by the Company increased to 41.9653%. Meanwhile, the contract and Articles of Association of Hongta Renheng was revised according to the resolution of the Board of Directors of Hongta Renheng on Feb. 25, 2010. Afterwards, the directors of the Board of Directors changed from five to seven, as the Company sent four directors, Yunnan Hongta Group Co., Ltd. sent two directors, Renheng Industrial Co., Ltd. sent one, Dragon State International Limited didn't send any director. The Company still can decide the financial and operating policies of Hongta Renheng, and shall still be consolidated into the scope of consideration.

Basis of holding half or less voting rights but still controlling the investee and holding more than half of the voting rights but not controlling the investee:

Significant structural entities and controlling basis in the scope of combination:

Basis of determining whether the Company is the agent or the principal:

Other Notes:

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name of the subsidiary	Shareholding proportion of minority shareholder	The profits and losses arbitrated to the minority shareholders	Declaring dividends distributed to minority shareholder	Balance of minority shareholder at closing period
Zhuhai Hongta Renheng Packaging Co., Ltd.	58.03%	16,528,082.84	15,278,449.35	1,619,569,460.66

Holding proportion of minority shareholder in subsidiary different from voting proportion:

Other Notes:

(3) The Main Financial Information of Significant not Wholly Owned Subsidiary

Unit: RMB

Name of the subsidiary	Closing balance						Opening balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Zhuhai Hongta Renheng Packaging Co., Ltd.	2,066,88	2,341,31	4,408,19	1,247,24	374,334	1,621,58	2,625,95	2,445,34	5,071,29	1,388,15	893,624	2,281,77
	7,651.66	1,528.10	9,179.76	8,199.38	704.45	2,903.83	1,940.55	4,768.25	6,708.80	1,886.13	199.66	6,085.79

Unit: RMB

Name of the subsidiary	Reporting Period				Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Zhuhai Hongta Renheng Packaging Co., Ltd.	3,320,528,76	17,181,492.2	17,181,492.2	-63,846,227.2	3,349,262,55	125,460,098.	125,460,098.	405,950,591.
	0.26	4	4	2	8.37	44	44	71

Other notes:

(4) Significant Restrictions of Using the Enterprise's Group Assets and Paying off the Enterprise's Group Debt.**(5) Financial Support or Other Supports Provided to Structural Entities Incorporated into the Scope of Consolidated Financial Statements**

Other notes:

2. The Transaction of the Company with Its Owner's Equity Share Changed but Still Controlling the Subsidiary

(1) Note to the Owner's Equity Share Changed in Subsidiary

(2) The Transaction's Influence on the Equity of Minority Shareholders and the Owner's Equity Attributable to the Parent Company

Unit: RMB

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Other notes

3. Equity in Joint Venture Arrangement or Associated Enterprise

(1) Significant Joint Venture Arrangement or Associated Enterprise

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment of joint venture or associated
				Directly	Indirectly	

Notes to holding proportion of joint venture or associated enterprise different from voting proportion:

Basis of holding less than 20% of the voting rights but having a significant impact or holding 20% or more voting rights but not having a significant impact:

(2) Main Financial Information of Significant Joint Venture

Unit: RMB

	Closing balance/ Reporting Period	Opening balance /last period

Other notes

(3) Main Financial Information of Significant Associated Enterprise

Unit: RMB

	Closing balance/ Reporting Period	Opening balance /last period

Other notes

(4) Summary Financial Information of Insignificant Joint Venture or Associated Enterprise

Unit: RMB

	Closing balance/ Reporting Period	Opening balance /last period
Joint venture:	--	--
The total of following items according to the shareholding proportions	--	--
Associated enterprise:	--	--
The total of following items according to the shareholding proportions	--	--

Other notes

(5) Note to the Significant Restrictions in the Ability of Joint Venture or Associated Enterprise to Transfer Funds to the Company

(6) The Excess Loss of Joint Venture or Associated Enterprise

Unit: RMB

Name	The cumulative recognized losses in previous accumulative derecognized period	The derecognized losses or the share of net profit in this Reporting Period	The cumulative unrecognized losses in this Reporting Period
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Other notes

(7) The Unrecognized Commitment Related to Joint Venture Investment

(8) Contingent Liabilities Related to Joint Venture or Associated Enterprise Investment

4. Significant Common Operation

Name	Main operating place	Registration place	Nature of business	Proportion /share portion	
				Directly	Indirectly

Note to holding proportion or share portion in common operation different from voting proportion:

Basis of common operation as a single entity classified as common operation

Other notes:

5. Equity in the Structured Entity not Included in the Scope of Consolidated Financial Statements

Related notes to structured entity not included in the scope of consolidated financial statements:

6. Others

X. The Risk Related Financial Instruments

XI. The Disclosure of the Fair Value

1. Closing Fair Value of Assets and Liabilities Calculated by Fair Value

Unit: RMB

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
VI. Financial liabilities measured at fair value and its changes be included into the current gains and losses	2,394,879.25			2,394,879.25
II. Inconsistent fair value measurement	--	--	--	--

2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

The Company listed the book value of financial assets instruments measured at fair value on Dec. 31, 2017 according to three levels of fair value. When the overall fair value classified in three levels, it's in line with the first level of three levels of each significant input value used in the calculation of fair value. Definitions of three levels were as follows:

The first level, the non-adjustable offer of the same assets or liabilities in the active market on the calculation date;

The second level, the directly or indirectly observable input value of related assets or liabilities except the input value on the first level;

The second level input value including: 1) Offer of similar assets or liabilities in the active market; 2) offer of identical or similar assets or liabilities in the non-active market; 3) Other observable input value except offer, including the observable interest rate during the interval period of common offer, profit rate curve, implied volatility and credit spread etc.; 4) the input value for market verification etc..

The third level was the unobserved input value of related assets or liabilities.

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

4. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

5. Sensitiveness Analysis on Unobservable Parameters and Adjustment Information between Opening and Closing Book Value of Consistent Fair Value Measurement Items at Level 3

6. Explain the Reason for Conversion and the Policy Governing when the Conversion Happens if Conversion Happens among Consistent Fair Value Measurement Items at Different Levels

7. Changes in the Valuation Technique in the Current Period and the Reason for Such Change

8. Fair Value of Financial Assets and Liabilities not Measured at Fair Value

9. Others

XII. Related Party and Related Transaction

1. Information Related to the Parent Company

Name of parent company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Foshan Huaxin Development Co., Ltd.	Foshan	Manufacturing industry	457,930,000.00	65.20%	65.20%
China National Paper Industry Investment Corp.	Beijing	Comprehensive	5,033,000,000.00	65.31%	65.31%
China Chengtong Holdings Group Co., Ltd.	Beijing	Comprehensive	9,380,165,000.00	65.31%	65.31%

Notes: information on the parent company:

Foshan Huaxin Development Co., Ltd.:

On Jun. 28, 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 65.20% shares of the Company.

China National Paper Industry Investment Corp.:

China National Paper-industry Investment Corporation originally held 0.11% shares of the Company, and China National

Paper-industry Investment Corporation held 65.31% shares of the Company directly and indirectly as the actual controller of the Company.

China Chengtong Holdings Group Co., Ltd.:

China Chengtong Holdings Group Co., Ltd. holds 100% shares of China National Paper-industry Investment Corporation and has become the ultimate controller of the Company.

The ultimate controller of the Company is China Chengtong Holdings Group Co., Ltd..

Other notes:

2. Subsidiaries of the Company

See details in Notes IX. Equity in other entities,

3. Information on the Joint Ventures and Associated Enterprises of the Company

For details of significant joint ventures and associated enterprises of the Company, please refer to Notes IX. Equity in other entities.

Information on other joint ventures and associated enterprises developing related party transactions with the Company in this Reporting Period, or forming balance due to related party transactions in previous periods:

Name	Relationship
Guangdong Chengtong Logistics Co., Ltd.	Joint venture
Chengtong Finance Co., Ltd.	Former joint venture

Other notes

The Company originally held 20.00% of shares in Chengtong Finance Co., Ltd. measured by equity method. In accordance with the Proposal on Increasing Investment to Chengtong Finance Co., Ltd., the Company increased 0.3 billion shares of investment to Chengtong Finance Co., Ltd. The actual investment by the Company was RMB396 million. After the investment increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00% without control or joint control rights as well as significant influence. The Company would transfer the investment in China Chengtong Finance Corporation Ltd. to available-for-sale financial assets that would be measured at cost and reclassified into available-for-sale financial assets.

4. Information on Other Related Parties of the Company

Name	Relationship
Foshan Huaxin Import & Export Co., Ltd.	Under the control of the same actual controller
Guangdong Guanhao High-tech Co., Ltd.	Under the control of the same actual 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
Yueyang Forest & Paper Co., Ltd.	Under the control of the same actual controller
Yueyang Antai industrial Co., Ltd	Under the control of the same actual controller
Yuanjian Paper Co., Ltd.	Under the control of the same actual controller
Hunan Juntai Pulp Paper Co., Ltd.	Under the control of the same actual controller

Guangdong Guanhao High-tech Co., Ltd.	Under the control of the same ultimate controller
China Chengtong International Co., Ltd.	Under the control of the same ultimate controller
HONG KONG DRAGON STATE YAN WING INTERNATIONAL COMPANY	Under the control of the same ultimate controller
Zhanjiang Guanhao Paper Co., Ltd.	Under the control of the same ultimate controller
Guangdong Guanhao High-tech Co., Ltd.	Under the control of the same ultimate controller
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	Under the control of the independent director of the actual controller
Chengtong Energy (Guangdong) Co., Ltd.	Under the control of the same ultimate controller
Chengtong Real Estate Investment Co., Ltd.	Under the control of the same ultimate controller
Foshan Chengtong Paper-Industry Co., Ltd.	Under the control of the same ultimate controller

Other notes

At the beginning of the Reporting Period, Foshan Chengtong Paper-Industry Co., Ltd. was non-related party. It began to act as the related party of the Company from Sep. 2017 when it started to be under the same control of China Chengtong Holdings Group Co., Ltd. with the Company.

5. List of Related-party Transactions

(1) Information on Acquisition of Goods and Reception of Labor Service (Unit: Ten Thousand Yuan)

Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Unit: RMB

Related-party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
China National Paper Industry Investment Corp.	Purchase of raw material	192,949,030.08	1,006,080,800.00	No	148,252,577.79
Guangdong Guanhao High-tech Co., Ltd.	Purchase of raw material		0.00	No	13,967.35
Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	Purchase of raw material	3,913,511.43	30,000,000.00	No	
Guangdong Chengtong Logistics Co., Ltd.	Providing logistics services	17,407,421.76	19,350,000.00	No	15,499,988.56
Guangdong	Purchase of raw	369,490.76	700,000.00		413,718.56

Guanhao High-tech Co., Ltd.	material				
China Chengtong International Co., Ltd.	Purchase of raw material		0.00	No	89,829,578.15
HONG KONG DRAGON STATE YAN WING INTERNATIONAL COMPANY	Purchase of raw material		100,000,000.00	No	8,601,905.87
Yueyang Antai Industrial Co., Ltd.	Purchase of raw material	663,229.06	1,500,000.00	No	219,759.19
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	Purchase of raw material	6,453,777.61			
Subtotal		221,756,460.70	1,157,630,800.00	No	262,831,495.47
Foshan Huaxin Import and Export Co., Ltd.	Purchase of fixed assets		0.00	No	180,116.60

Information of sales of goods and provision of labor service

Unit: RMB

Related-party	Content	Reporting Period	Same period of last year
China National Paper Industry Investment Corp.	Sales of raw material	34,121,462.56	134,681,889.58
Yueyang Forest & Paper Co., Ltd.	Sales of products	25,872,112.25	19,279,321.75
Guangdong Guan hao High-tech Co., Ltd.	Sales of products and raw materials	12,646,501.73	6,668,453.70
Zhanjiang Guan hao Paper Co., Ltd.	Sales of products and raw materials	65,290.60	370,427.36
Long Bond Investment Development Co., Ltd.	Sales of raw materials		24,098,726.25
HONG KONG DRAGON STATE YAN WING INTERNATIONAL COMPANY	Sales of raw materials		8,927,172.47
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	Sales of products and raw materials	107,144,946.76	

Guangdong Chengtong Logistics Co., Ltd.	Others	63,600.00	
Total		179,913,913.90	194,025,991.11

Notes:

Through self-examination, the Company found that the Company's subsidiaries Hongta Renheng and Zhuhai Huafeng transacted with Guangzhou Chenhui Pulp & Paper Trading Co., Ltd. ("Guangzhou Chen Hui") controlled by Li Hong, the external independent director of China National Paper Industry Corp., the actual controller of the Company. According to Article 10.1.3 (3) of the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, the transaction constituted a related transaction.

Combined with the relevant laws, regulations, departmental rules and the actual situation of the Company, and after soliciting opinions from professional institutions, the transactions between the subsidiaries and Guangzhou Chenhui were additionally confirmed as related transactions and supplemented to perform the corresponding review procedures.

(2) Related Trusteeship/Contract

Lists of related trusteeship/contract:

Unit: RMB

Name of the entruster/contractee	Name of the trustee/contractor	Type	Initial date	Due date	Pricing basis	Income recognized in the Reporting Period
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Notes:

Lists of entrust/contractee

Unit: RMB

Name of the entruster/contractee	Name of the trustee/contractor	Type	Initial date	Due date	Pricing basis	Charge recognized in the Reporting Period
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Notes:

(3) Information of Related Lease

The Company was lessor:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Guangdong Chengtong Logistics Co., Ltd.	Houses and buildings	737,413.33	1,210,342.86
Chengtong Energy (Guangdong) Co., Ltd.	Houses and buildings	5,714.29	
Total		743,127.62	1,210,342.86

The Company was lessee:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Foshan Huaxin Development Co., Ltd.	Office and office equipment		542,285.71

Notes:

(4) Related-party Guarantee

The Company was guarantor:

Unit: RMB

Secured party	Guarantee amount	Start date	End date	Execution accomplished or not
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	330,000,000.00	05/07/2014	05/06/2017	Yes
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	200,000,000.00	02/01/2016	01/21/2017	Yes
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	01/14/2016	01/13/2017	Yes
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	05/30/2016	02/02/2017	Yes
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	02/23/2017	04/29/2017	Yes
Subtotal	830,000,000.00			
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	180,000,000.00	03/01/2017	10/28/2017	No
Huaxin (Foshan) Color Printing Co., Ltd.	20,000,000.00	12/23/2016	10/23/2017	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	200,000,000.00	03/01/2016	12/31/2019	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	38,800,000.00	09/27/2017	09/13/2020	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	200,000,000.00	02/28/2017	02/28/2019	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	330,000,000.00	05/23/2017	05/22/2020	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	200,000,000.00	07/15/2017	07/15/2019	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	02/24/2017	02/24/2018	No

Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	07/28/2017	05/14/2018	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	09/12/2017	03/31/2019	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	11/10/2017	11/09/2019	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	11/13/2017	09/03/2018	No
Zhuhai Huafeng Paper Co., Ltd.	350,000,000.00	10/29/2016	10/28/2019	No
Huaxin (Foshan) Color Printing Co., Ltd.	60,000,000.00	01/01/2016	12/31/2020	No
Subtotal	2,078,800,000.00			
Total	2,908,800,000.00			

The Company was Secured party

Unit: RMB

Guarantor:	Guarantee amount	Start date	End date	Execution accomplished or not
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Notes

The guarantee agreement signed by the Company was due in which the Company provided a guarantee of RMB180,000,000 for Zhuhai S.E.Z Hongta Renheng Packing Co., Ltd. and RMB20,000,000 for Huaxin (Foshan) Color Printing Co., Ltd. But the principal debt under the said guarantee has not expired yet.

(5) Inter-bank Lending of Capital of Related Parties

Unit: RMB

Related-party	Amount borrowed and loaned	Initial date	Due date	Explanation
Borrowed				
Foshan Huaxin Development Co., Ltd.	7,000,000.00	10/27/2017	12/31/2018	
Loaned				

(6) Related Party Asset Transfer and Debt Restructuring

Unit: RMB

Related-party	Content	Reporting Period	Same period of last year
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(7) Rewards for the Key Management Personnel

Unit: RMB

Item	Reporting Period	Same period of last year
Rewards for the key management personnel	3,845,000.00	5,128,714.50

(8) Other Related-party Transactions

(1) According to the 1st Meeting of the 5th Board of Directors of 2013 on 18 April, 2013 and 2012 Annual General Meeting on 15 May, 2013, Financial Services Agreement signed by this Company and Chengtong Finance Co., Ltd. and related transaction bills for financial services were discussed and approved to conduct relevant financial services. The sum of daily maximum outstanding of deposits and interests on deposit of this Company in Chengtong Finance Co., Ltd. shall not be higher than 5% of the total assets audited last year (outstanding of deposits excluding loans or settlement amount); the sum of credit extension and interests shall not be higher than RMB600,000,000; relevant settlement businesses shall also be conducted as required. Up to Dec. 31, 2017, outstanding of deposits of the Company in Chengtong Finance Co., Ltd. was RMB120,798,009.23, notes discounted was RMB308,331,654.66, and the interest generated from bill discounting was RMB4,389,665.21.

(2) In accordance with the Proposal on Increasing Investment to Chengtong Finance Co., Ltd. reviewed and approved on the 4th Meeting of the 7th Board of Directors, the Company increased 0.3 billion shares of investment at 1.32 per share to Chengtong Finance Co., Ltd. The actual investment by the Company was RMB396 million. After the investment increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00%.

(3) On Sep. 1, 2017, the Company recovered a debt of RMB490,240,600.41 from Chengtong Real Estate Investment Co., Ltd. paid on behalf of Foshan Chengtong Paper Co., Ltd.

6. Receivables and Payables of Related Parties**(1) Receivables**

Unit: RMB

Name of item	Related-party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable:	Guangdong Guanhao High-tech Co., Ltd.	4,380,668.14		2,990,446.69	95.85
Account receivable:	Yueyang Forest & Paper Co., Ltd.	7,043,454.67		5,321,659.50	
Account receivable:	Yueyang Antai Industrial Co., Ltd	5,302.10	5,302.10	5,302.10	2,651.05
Account receivable:	China National Paper Industry Investment Corp.			33,263.08	102.86

Account receivable:	Foshan Huaxin Import & Export Co., Ltd.	549,882.60	201,380.64	549,882.60	201,380.64
Account receivable:	Long Bond Investment Development Co., Ltd.	176.14	88.07	2,755,688.24	
Account receivable:	Zhanjiang Guanhao Paper Co., Ltd.			1,545.27	
Accounts receivable	Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	2,018,375.33			
Accounts receivable	Subtotal	13,997,858.98	206,770.81	11,657,787.48	204,230.40
Prepayment:	China National Paper Industry Investment Corp.	1,939,495.40			
Prepayment:	Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	3,259,470.15			
Prepayment:	Subtotal	5,198,965.55			
Other accounts receivable	Guangdong Chengtong Logistics Co., Ltd.	1,019,540.63	62,254.41	893,243.15	22,847.25
Other accounts receivable	Subtotal	1,019,540.63	62,254.41	893,243.15	22,847.25
Interest receivable	Foshan Chengtong Paper Co., Ltd.			5,950,976.18	
Interest receivable	Subtotal			5,950,976.18	
Long-term accounts receivable	Foshan Chengtong Paper Co., Ltd.			490,240,600.41	
Long-term accounts receivable	Subtotal			490,240,600.41	

(2) Payables

Unit: RMB

Name of item	Related-party	Closing book balance	Opening book balance
Accounts payable	China National Paper Industry Investment Corp.	19,794,676.49	87,600,898.59

Accounts payable	Guangdong Chengtong Logistics Co., Ltd.	4,413,891.39	1,973,769.75
Accounts payable	Guangdong Guanhao Hi-tech Industry Co., Ltd.	135,922.28	102,183.57
Accounts payable	Guangdong Guanhao High-tech Co., Ltd.		3,483.37
Accounts payable	Yueyang Antai industrial Co., Ltd	298,400.00	127,312.00
Accounts payable	Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	1,726,693.70	
Accounts payable	Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	2,052,704.73	
Accounts payable	Subtotal	28,422,288.59	89,807,647.28
Advance from customers	Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	1,992,812.03	
Advance from customer	China National Paper Industry Investment Corp.	573,515.79	
Advance from customers	Subtotal	2,566,327.82	
Interest payable	Foshan Huaxin Import & Export Co., Ltd.	55,585.83	
Interest payable	Subtotal	55,585.83	
Other accounts payable	Guangdong Chengtong Logistics Co., Ltd.	1,110,384.98	570,384.98
Other accounts payable	Foshan Huaxin Import & Export Co., Ltd.	7,000,000.00	
Other accounts payable	Subtotal	8,110,384.98	570,384.98

7. Related Party Commitment

8. Others

XIII. Stock Payment

1. The Stock Payment Overall Situation

☐ Applicable ☒ Not applicable

2. The Stock Payment Settled by Equity

☐ Applicable ☒ Not applicable

3. The Stock Payment Settled by Cash

☐ Applicable ☒ Not applicable

4. Modification and Termination of the Stock Payment

None

5. Others**XIV. Commitments****1. Significant Commitments**

Significant commitments on balance sheet date

Up to 31 Dec. 2017, there were no significant commitments to be disclosed.

2. Contingency**(1) Significant Contingency on Balance Sheet Date****Pending action, contingency formed by arbitration and its financial influence**

1) The Company's sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. signed a loan contract with Guangzhou Hong He Gu Kang Ti Leisure Co., Ltd. (hereinafter referred to as "Hong He Gu Company") on Dec. 12, 2011, stating that Hong He Gu Company borrowed RMB 500,000 from Zhuhai Jinji Chemicals Co., Ltd. from Dec. 12, 2011 to May 31, 2012. When the contract expired, Hong He Gu Company shall take the initiative to repay the loan principal and interest. The legal representative Wang Renhe served as the guarantee of Hong He Gu Company, but Hong He Gu Company did not paid the loan as agreed when the contract expired. According to (2015) ZJFPMCZ No. 20 Civil Judgment, Hong He Gu Company shall repay RMB500,000 to the Company and Wang Renhe shall bare the joint liability for satisfaction. Up to Dec. 31, 2017, Zhuhai Jinji Chemicals Co., Ltd. withdrawn 100% bad debt provision for the said RMB 500,000 payable by Hong He Gu Company in other accounts receivable for the difficulty of recovery.

2) Up to Dec. 31, 2017, Guangdong Regall Group Co., Ltd. (hereinafter referred to as "Regall Group") owed the 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 Mar. 28, 2008, the said two parties signed an agreement on repayment with wood pulp. According to the said agreement, Regall Group shall repay wood pulp as the consideration, which shall be executed before May 15, 2008. However, Regall Group did not perform the said agreement. Up to Oct. 31, 2008, only RMB 3,099,200.00 was executed as consideration for the debt. On Oct. 29, 2008, Hongta Renheng sent a Notice on Terminating Agreement to Regall Group, but Regall Group asked to continue the execution of the Agreement. On Dec. 6, 2008, Hongta Renheng submitted a bill of complaint on the goods payment dispute to Guangzhou Huangfu District 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 all resulting responsibilities. On Jun. 28, 2009, the Court issued (2009) HMEC Zi No.72 Civil Judgment, stating that the Company's Notice on Terminating Agreement was invalid. Hongta Renheng appealed to Guangzhou Intermediate People's Court against the decision and Guangzhou Intermediate People's Court ruled that the case shall be remanded for retrial in the Court of the first instance. On Jun. 12, 2010, the Court issued (2010) HMEC Zi No.1 Civil Judgment, stating that the Agreement on Setting Debt off with Pulp Payment was legal and effective and that Regall Group should pay Hongta Renheng the debt of RMB9,786,596.96. However, as Regall Group wasn't able to supply pulp, it shall pay RMB 9,786, 596.96 back to Hongta Renheng. Regall Group appealed to Guangzhou Intermediate People's Court against the decision. On Nov. 25, 2010, in accordance with (2010) SZFMEZ Zi No. 1851 Civil Judgment Letter, the Court rejected the appeal and maintained the original judgment. Up to December 31, 2017, RMB 127,836.00 was received by Hongta Renheng. Hongta Renheng has withdrawn 100% bad debt provision for the said residual uncollected amount due to the difficulty of recovery.

3) Up to Dec. 31, 2017, Zhuhai Eastern Zhengtai Power Equipment Co., Ltd. owed the goods payment of RMB 2,925,825.54 to the company's subsidiary Hongta Renheng. In line with (2010) XMEC Zi No.641 Civil Judgment, Hongta Renheng won the appeal and Zhuhai East Zhengtai Power Equipment Co., Ltd. shall pay loans of RMB 2,405,789.44 and corresponding penalty back to Hongta Renheng. Zhuhai East Zhengtai Power Equipment Co., Ltd. filed an appeal against the judgment. The court rejected the appeal in the second trial and the decision was upheld on Oct. 12, 2010. Since such payment was difficult to be collected back, Hongta Renheng withdrew 100% bad debt provision for the said amount.

4) Up to Dec. 31, 2017, Zhuhai Gongbei Ronghui Trade Co., Ltd. owed the goods payment of RMB 1,016,655.73 to the company's subsidiary Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with (2009) XMEC Zi No. 2174 Civil Judgment, but Zhuhai Gongbei Ronghui Trade Co., Ltd. owned nothing to execute the judgment. Therefore, the company withdrew 100% bad debt provision for the said amount.

5) Up to Dec. 31, 2017, Shenzhen Xieji Industry Co., Ltd. owed the goods payment of RMB 3,760,350.10 to Hongta Renheng, in accordance with (2011) SZFMEZ Zi No. 1318 Civil Judgment, Hongta Renheng won the appeal. However Shenzhen Xieji Industry Co., Ltd. was unable to repay. Therefore, it continued to withdraw 100% bad debt provision for the said account receivable.

6) Up to Dec. 31, 2017, Qingdao Donglu Packing Development Co., Ltd. owed the goods payment of RMB 450,000.00 to Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with (2010) NSC Zi No. 20678 Civil Judgment. Although Hongta Renheng won the first instance, there were no properties to execute the judgment. Therefore, the company withdrew 100% bad debt provision for the said account receivable.

7) Up to Dec. 31, 2017, Foshan Jiahe Paper Trading Co., Ltd. owed the goods payment of RMB 4,902,239.70 to Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with (2011) FCFMEC Zi No. 852 Civil Judgment. Since Hongta Renheng won the first instance, and collected RMB 1.75 million in total. The collectability of the balance of RMB3,152,239.70 was uncertain. Therefore, the balance of RMB3,152,239.70 shall be withdrawn 100% bad debt provision.

8) Up to Dec. 31, 2017, Kaifeng Boke Printing Co., Ltd. owned the goods payment of RMB4,635,249.60 to Zhuhai Huafeng Paper Co., Ltd.. In line with (2015) ZJFMECZ No. 609 Civil Judgment, Kaifeng Boke Printing Co., Ltd shall repay RMB4,635,249.60 and relevant interests. However, Zhuhai Huafeng Paper Co., Ltd. applied to the court for property attachment prior to lawsuit, freezing corresponding bank deposits owned by the respondent and closing down the respondent's land and equipment. Up to Dec. 31, 2017, RMB922,328.60 in total was not taken back, Corresponding bad debt provision shall be withdrawn for the balance of the account receivable with uncertainty of collectability at 100%.

9) Zhuhai Bidao Energy Co., Ltd. occupied an area covering 3,535.34 m² of the company's subsidiary Hongta Renheng, and ignored the notice issued by Hongta Renheng about its infringement act. In 2016, Hongta Renheng prosecuted Zhuhai Baidao Energy Co., Ltd. in Zhuhai Xiangzhou District People's Court, requiring the other party to stop its infringement act and pay RMB 2.68 million as the land occupation fee. In accordance with the (2017) Y04MZ No. 1759 Civil Judgment in which Hongta Renheng won the appeal, Zhuhai Bidao Energy Co., Ltd. shall return the occupied land of Hongta Renheng and pay the land occupation fee at RMB48 per square meter each year.

10) The company's subsidiary Jinji Chemicals and Hunan Henghan Hi-tech Co., Ltd. (hereinafter referred to as Hunan Henghan) developed mutual business relationship in October 2013. However, Hunan Henghan delayed the payment for goods. According to (2015) NMCZi No. 05988 Civil Mediation Document, Hunan Henghan agreed to pay RMB 290,500.00 for goods and RMB 10,000.00 as the penalty for overdue payment at one time to Jinji Chemicals before April 30, 2016. Up to December 31, 2017, Hunan Henghan paid RMB 50,000.00, but the rest payment for goods amounting to RMB 240,500.00 and RMB 10,000.00 as the penalty for overdue payment remained unpaid. Jinji Chemicals has withdrawn 100% bad debt provision for RMB 240,500.00 that shall be paid by Hunan Henghan due to the difficulty of recovery.

11) Hengyang Feier Cultural Goods (Electrical Appliances) Co., Ltd. prosecuted Zhuhai Huafeng due to the dispute in product quality in Zhuhai Jinwan District Intermediate People's Court in Guangdong Province, requiring the compensation of RMB 2.96 million. According to (2017) Y04MZ No. 728 Civil Judgment, such claim was rejected.

12) Zhuhai Huafeng brought a lawsuit against Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. on March 16, 2017. In the lawsuit, Zhuhai Huafeng asked Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. to repay the compensation amount of RMB 9.76 million that was paid by Zhuhai Huafeng to relatives of the victims in the 3.4 safety accident for Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. Then, Wuhan Kedio Electric Power Technology Co., Ltd. applied to add Yancheng Xinda High-Altitude Anti-Corrosion Co., Ltd. as a defendant and Yancheng Xinda High-Altitude Anti-Corrosion Co., Ltd. applied to add Liu Jiechun, the actual constructor, as a defendant. The court opened a court session on November 20, 2017. As the four defendants requested that the civil compensation case be tried after the trial of the "3.4 Safety Accident" criminal case and after the liability of each party is determined, Zhuhai Jinwan District People's Court suspended the trial of the civil compensation case.

(2) In Despite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements.

There was no significant contingency in the Company.

XV. Events after Balance Sheet Date

1. Significant Non-adjusted Events

Unit: RMB

Item	Content	Number under influence to the financial position and operating results	Reason of unable to estimate influence number
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2. Profit Distribution

Unit: RMB

Profits or dividends planned to be allocated	9,097,650.00
Reviewed and approved Profits or dividends allocation	9,097,650.00

3. Sales Return

4. Notes of Other Significant Events after Balance Sheet Date

XVI. Other Significant Events

1. The Accounting Errors Correction in Previous Period

(1) Retrospective Restatement

Unit: RMB

Content	Processing program	Name of the influenced report items during comparison period	Cumulative impact
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(2) Prospective Application

Content	Processing program	Reason of adopting prospective application
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2. Debt Restructuring

3. Replacement of Assets

(1) Non-monetary Assets Exchange

(2) Other Assets Replacement

4. Pension Plan

Approved in the 9th meeting of the 6th of Board of Directors in 2016, the company could participate in the corporate pension plan of China Chengtong Holdings Co., Ltd., and formulate its own pension plan implementation rules under the framework of China Chengtong Holdings Co., Ltd. in line with China National Paper Industry Investment Corp. Pension Plan Implementation Rules and the actual situation. Annuity payment is divided into enterprise contribution and individual contribution. The total annual contribution of the enterprise is 5% of the total salary of the previous year, the individual contribution of the employee is 25% of the contribution of the enterprise, and the employee who is in service before January 1, 2017 of the Company can volunteer to participation in the annuity plan.

5. Discontinuing Operation

Unit: RMB

Item	Revenue	Expense	Total profits	Income tax expense	Net profit	Termination of the business profits attributable to the parent company owner

Other notes

6. Segment Information

(1) Recognition Basis and Accounting Policies of Reportable Segment

(2) The Financial Information of Reportable Segment

Unit: RMB

Item		Offset in segment	Total

(3) If there Was no Reportable Segment, or the Total Amount of Assets and Liabilities of Each Reportable Segment Could not Be Reported, Relevant Reasons Shall Be Clearly Stated.

(4) Other Notes

7. Other Important Transactions and Events Having an Impact on Investors' Decision-making

(1). In line with the Second Special Meeting of the General Shareholders on Nov. 10, 2014, the meeting reviewed and approved the Proposal of the Issue of Medium-Term Notes, agreeing to issue no more than RMB five hundred million of the medium-term note used for the supplement of the Company's cash flow and working capital. On Jun. 12, 2015, the Company received the Acceptance of ZSXZ [2015] No. MTN253 Registration Notice approving the Company's registration of Medium-Term Notes issued by NAFMII. On Jul. 29, 2015, the Company's total issue amount was RMB200,000,000.00 with the coupon rate 5.28%, and the term of Medium-Term Notes was 3 years. The raised capital after deducting the bond issuance underwriting fees and custodian fees was RMB199,100,000.00.

(2) On Dec. 29, 2015, the company disposed 75% stock equity held by Foshan Chengtong Paper Co., Ltd., and Japanese company shall collect RMB 490,240,600.41 from Foshan Chengtong Paper Co., Ltd.. On Dec. 31, 2015, the company signed Credit and Debt Settlement Agreement with the transferee that shall become effective from Jan.1, 2016 on. Meanwhile, based on the benchmark interest rate for the 3-year fixed loan, corresponding capital occupation interest shall be collected from Foshan Chengtong Paper Co., Ltd., and be paid quarterly. Before Dec. 31, 2019, the principal and interest shall be completely settled. Up to Dec. 31, 2017, Japanese company collected the principal RMB 490,240,600.41 and all corresponding interest back.

8. Others

(1) High altitude falling production safety accident event caused by a flash burn (hereinafter referred to as "3.4 Safety Accident")

A major production safety accident occurred in the site area of Zhuhai Huafeng, a holding subsidiary of the company, at 9:15 am, March 4, 2017. Case background: Wuhan Kedio Electric Power Technology Co., Ltd. (hereinafter referred to as "Wuhan Kedio ") undertook the 120m reinforced concrete chimney anti-corrosion project of Zhuhai Huafeng in the name of Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. (hereinafter referred to as "Jiangsu Tianxing"); then Wuhan Kedio Ltd. subcontracted the project to Liu Jiechun in the way of labor and material contract; then Liu Jiechun undertook the anti-corrosion project in the name of Yancheng Xinda High-Altitude Anti-Corrosion Co., Ltd. (hereinafter referred to as "Yancheng Xinda"). On March 4, 2017, when Liu Jiechun and 9 workers (including the 6 workers who died in the accident) were carrying out the construction operation of the 120m reinforced concrete chimney anti-corrosion project, 6 construction workers fell down from a high altitude and died due to a sudden flash burn.

After the accident, as the owner, Zhuhai Huafeng immediately launched the emergency plan for safety accident. The emergency group comprising principal leaders of Zhuhai Huafeng rushed to the scene to handle the accident at the first time and transferred RMB 11.16 million to the regulatory bank account of Zhuhai Gaolan Port Economic Zone in accordance with the requirements of the government of Zhuhai Gaolan Port Economic Zone to compensate the relatives of the victims. Then Jiangsu Tianxing also transferred RMB 1.4 million to the regulatory bank account. After handling the accident, the government of Zhuhai Gaolan Port Economic Zone returned the remaining RMB 1.4 million in the regulatory bank account to Zhuhai Huafeng, so Zhuhai Huafeng actually paid RMB 9.76 million to the relatives of victims.

On March 16, 2017, Zhuhai Huafeng brought a recovery action against Jiangsu Tianxing and Wuhan Kedio to Zhuhai Jinwan District People's Court. Then Wuhan Kedio applied to add Yancheng Xinda as a co-defendant; and Yancheng Xinda applied to add Liu Jiechun, the actual constructor, as a co-defendant. The court opened a court session on November 20, 2017. As the four defendants requested that the civil compensation case be tried after the trial of the "3.4 Safety Accident" criminal case and after the liability of each party is determined, Zhuhai Jinwan District People's Court suspended the trial of the civil compensation case.

Given that the case has been suspended and the criminal case shall be tried before civil compensation case, it is expected that the final judgment of the case will take a long time. The management of the company attached great importance to this civil compensation case and directed that evidence and property preservation measures shall be actively taken. Without the judgment results of the court, the management of the company can't confirm whether the sum can be collected completely, but, we can see from the current progress that, Zhuhai Huafeng has applied for property preservation against the defendant companies. Since both Jiangsu Tianxing and Wuhan Kedio are qualified corporations in the same industry and have always been in normal business, the company believes that, the property reserved is enough to cover the compensation amount, therefore, the management of the company believes that providing of bad debt provisions as per the account age over the claim of RMB 9.76 million is rational.

After the "3.4 Safety Accident", the government of Zhuhai Gaolan Port Economic Zone ordered Zhuhai Huafeng to stop production and identify any hidden danger. Normal production was not restored until May 4, 2017. Zhuhai Huafeng suffered a loss of RMB 18,712,379.13 incurred by abnormal shutdowns caused by the event. The company included the loss caused by shutdowns into the subject of "Non-Operating Expenses" for accounting and disclosure.

(2) Typhoon Hato disaster loss event

Affected by Typhoon Hato that occurred on August 23, 2017, the stock and fixed assets of Hongta Renheng and Zhuhai Huafeng, subsidiaries of the company were damaged to some extent. And at the same time, some losses were incurred by abnormal shutdowns caused by the typhoon disaster.

1) Loss of real assets

As Hongta Renheng and Zhuhai Huafeng have purchased Property All Risks Insurance from PICC Property and Casualty Company Ltd. (hereinafter referred to as PICC P&C), according to the insurance contract, the stock and fixed assets of Hongta Renheng and Zhuhai Huafeng that were damaged in the typhoon disaster are covered within the scope of insurance claims.

By December 31, 2017, the company had paid maintenance fee of fixed assets of RMB 4,811,697.17 cumulatively and incurred an accumulative net loss of RMB 1,687,621.24 after the damaged wood pulp was soled according to the scheme accepted by PICC P&C. The company reclassified the maintenance fee of fixed assets, net loss incurred by selling the damaged wood pulp, damaged finished products that haven't been handled and the book amount of the packaging materials (total RMB 20,961,100.36) into the subject of "Other Current Assets" for accounting.

In accordance with the adjustment table (draft) provided by a third party assessment institution which is accepted by the company and PICC P&C, it is expected that, Hongta Renheng and Zhuhai Huafeng will incur a net loss of RMB 5.5 million in this typhoon disaster. According to the notice of Zhuhai Jinwan District People's Government Office on Issuing the *Policies and Measures of Jinwan District for Facilitating Recovery of Production by Industrial Enterprises after Disaster*, the company applied for government subsidy. The application was then approved by the government. The company received the special government subsidy of RMB 600,000 from the post-disaster production recovery support foundation on December 26, 2017 and received the special government subsidy of RMB 3.5 million from the post-disaster production recovery support foundation on January 18, 2018 (RMB 4.1 million in total). After deducting foregoing government subsidy, the net loss that the company actually incurred is about RMB 1.4 million.

As the adjustment result hasn't been finally decided, Hongta Renheng and Zhuhai Huafeng are in negotiations with PICC P&C and the assessment institution.

2) Loss incurred by shutdowns caused by the typhoon disaster

Abnormal shutdowns were caused by Typhoon Hato. A total loss of RMB 9,084,885.76 is incurred by the shutdown. The company reclassified the part of loss caused by natural disaster from the subject of "Production Cost" to the subject of "Non-Operating Expenses" for accounting and disclosure.

XVII. Notes of Main Items in the Financial Statements of the Parent Company

1. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	

				n						
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Accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting other methods to withdraw bad debt provision:

(2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Report Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB0.00; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

Significant amounts of reversed or recovered bad debt provision:

Unit: RMB

Name of the entity	Amount	Method
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(3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
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Of which: significant actual verification of accounts receivable

Unit: RMB

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes:

(4) Top Five of Account Receivable of Closing Balance Collected by Arrears Party

(5) Derecognition of Account Receivable Due to the Transfer of Financial Assets

(6) The Amount of the Assets and Liabilities Formed by the Transfer and the Continued Involvement of Accounts Receivable

Other Notes:

2. Other Accounts Receivable

(1) Other Account Receivable Classified by Category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	187,029,661.31	100.00%			187,029,661.31	979,766,646.61	100.00%			979,766,646.61
Total	187,029,661.31	100.00%			187,029,661.31	979,766,646.61	100.00%			979,766,646.61

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

☐ Applicable ☒ Not applicable

Among these groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
1-3 months	263,378.03		
Subtotal with 1 year	263,378.03		
Total	263,378.03		

Notes:

Among these groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

Among these groups, other accounts receivable adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(2) Accounts Receivable Withdraw, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB0.00; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

Significant amount of reversed or recovered bad debt provision;

Unit: RMB

Name of the entity	Reversed or collected amount	Method
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(3) Particulars of the Actual Verification of Other Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
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Of which: significant actual verification of other accounts receivable

Unit: RMB

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes of write-off other accounts receivable:

(4) Other Accounts Receivable Classified by the Nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Pretty cash, etc.	263,378.03	21,131.24
Intercourse fund within the consolidated scope	186,766,283.28	979,745,515.37
Total	187,029,661.31	979,766,646.61

(5) Top 5 of the Closing Balance of the Other Accounts Receivable Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Zhuhai Hongta Renheng Packaging Co., Ltd.	Loan and Interest	105,224,419.88	Within 1 year	56.26%	
Huaxin (Foshan) Color Printing Co., Ltd.	Loan and Interest	79,064,614.38	1-2 years	42.27%	
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	Loan and Interest	2,477,249.02	1-2 years	1.33%	
Total	--	186,766,283.28	--	99.86%	

(6) Account Receivable Involving Government Subsidies

Unit: RMB

Name of the entity	Project of government	Closing balance	Closing aging	Estimated recovering
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	subsidies			time, amount and basis
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(7) Other Accounts Receivable Derecognized Due to the Transfer of Financial Assets**(8) Amount of Assets and Liabilities Due to the Transfer of Other Account Receivable and Continued Involvement**

Other Notes:

3. Long-term Equity Investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	1,070,107,442.14		1,070,107,442.14	1,070,107,442.14		1,070,107,442.14
Investment to joint ventures and associated enterprises				244,408,251.27		244,408,251.27
Total	1,070,107,442.14		1,070,107,442.14	1,314,515,693.41		1,314,515,693.41

(1) Investment to the Subsidiary

Unit: RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Huaxin (Foshan) Color Printing Co., Ltd.	122,536,745.03			122,536,745.03		
Zhuhai Hongta Renheng Packaging Co., Ltd.	927,570,697.11			927,570,697.11		
Kunshan Focai Packaging & Printing Co., Ltd.	5,000,000.00			5,000,000.00		
Zhejiang Hongta	15,000,000.00			15,000,000.00		

Renheng Packaging Technology Co., Ltd.						
Total	1,070,107,442.14			1,070,107,442.14		

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Opening balance	Increase/decrease in Reporting Period								Closing Balance	Closing Balance of impairment reserves
		Additional investment	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive incomes	Other equity changes	Declaration of cash dividends or profits	Withdrawal impairment provision	Others		
I. Joint ventures											
II. Associated enterprises											
Chengtong Finance Co., Ltd.	244,408,251.27	396,000,000.00		22,059,145.80			35,112,256.03		-627,355,141.04		
Subtotal	244,408,251.27	396,000,000.00		22,059,145.80			35,112,256.03		-627,355,141.04		
Total	244,408,251.27	396,000,000.00		22,059,145.80			35,112,256.03		-627,355,141.04		

(3) Other Notes

(1) On acquisition date as Jun. 30, 2009, the Company gained 40.176% shares of Hongta Renheng by the way 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. Therefore, the company was consolidated into the consolidated statement of the Company since Jul. 2009.

On Feb. 1, 2010, Hongta Renheng finished the change procedures for capital increase in industry and commerce, so shares of Hongta Renheng held by the Company increased to 41.9653%. Meanwhile, the company revised the contract and Articles of Association of Hongta Renheng according to the resolutions of the Board of Directors of Hongta Renheng on Feb. 25, 2010, after which the directors of the Board of Directors changed from five to seven, as the Company sent four directors, Yunnan Hongta Group Co., Ltd. sent two directors, 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. Therefore, it's still within the consolidated scope during this Reporting Period.

(2) According to the 4th meeting of the 5th Board of Directors held on Jun. 28, 2013, which received and approved the Proposal on Related Transaction of Purchasing Equity of Huaxin (Foshan) Color Printing Co., Ltd. Owned by Longbon International Co., Ltd., the Company purchased 25% equity of Huaxin (Foshan) Color Printing Co., Ltd. owned by Longbon International Co., Ltd. through the Equity Transfer Agreement with the base day of the equity protocol transfer on Jun. 30, 2013. The transfer price took the net assets through assessment of Huaxin (Foshan) Color Printing Co., Ltd. of RMB 199,450,300 as reference, and both parties agreed to transfer 25% equity with the price of RMB 49,862,600. Relevant equity alternation procedures were completed in September 2013. In October 2013, the Company had completely paid the equity purchasing account of RMB 49,862,600. After the equity transfer, Huaxin (Foshan) Color Printing Co., Ltd. became the wholly-owned subsidiary of the Company.

(3) In accordance with the Proposal on Increasing Investment to Chengtong Finance Co., Ltd. reviewed and approved on the 4th Meeting of the 7th Board of Directors, the Company increased 0.3 billion shares of investment to Chengtong Finance Co., Ltd at RMB1.32 per share. The actual investment by the Company was RMB396 million. After the investment increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00% without control or joint control rights as well as significant influence. The Company would transfer the investment in China Chengtong Finance Corporation Ltd. to available-for-sale financial assets that would be measured by cost method and reclassified into available-for-sale financial assets.

4. Revenues and Operating Costs

Unit: RMB

Item	Reporting Period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs

Other notes:

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	11,803,128.09	16,988,226.64
Long-term equity investment income accounted by equity method	22,059,145.80	14,902,809.13
Total	33,862,273.89	31,891,035.77

6. Others

XVIII. Supplementary Materials

1. Non-recurring Gains and Losses during this Reporting Period

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets	275,303.86	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	13,791,511.79	
Fund possession expenses collected from non-financial business that included in gains and losses during this period	14,745,309.37	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	1,326,459.63	
Other non-operating incomes and expenses other than the above	-24,429,364.21	Losses of subsidiaries in Zhuhai caused by typhoon
Less: Income tax effects	-661,998.98	
Minority interests effects	70,872.49	
Total	6,300,346.93	--

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 √ Not applicable

2. Return on Equity (ROE) and Earnings Per Share (EPS)

Profit Up to Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	0.94%	0.04	0.04

Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	0.62%	0.02	0.02
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3. Differences between Accounting Data under Domestic and Overseas Accounting Standards

(1) Differences of Net Profit and Net Assets Disclosed in Financial Reports Prepared under International and Chinese Accounting Standards

☐ Applicable ☒ Not applicable

(2) Differences of Net profit and Net assets Disclosed in Financial Reports Prepared under Overseas and Chinese Accounting Standards

☐ Applicable ☒ Not applicable

(3) Explain Reasons for the Differences between Accounting Data under Domestic and Overseas Accounting Standards; for any Adjustment Made to the Difference Existing in the Data Audited by the Foreign Auditing Agent, Such Foreign Auditing Agent's Name Shall Be Clearly Stated.

4. Others

Part XII Documents Available for Reference

Investors and relevant departments can refer to the following materials in the Company's office for Board of Directors:

1. Financial statements signed and sealed by legal representative, principal of accounting work, and manager of finance department;
2. Original document of audit report stamped by the accountant firm, signed and sealed by the certificated accountant;
3. Texts of all the Company's documents disclosed via <http://www.cninfo.com.cn> during the Reporting Period, and the originals of public notices.
4. The Annual Report for 2017 with the signature of the Chairman of the Board of Directors.