



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1812

2022 ANNUAL REPORT



* For identification purposes only

I Important Notice, Table of Contents and Definitions

The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”) and the directors (the “Directors”), supervisors (the “Supervisors”) and senior management (the “Senior Management”) of the Company hereby warrant the truthfulness, accuracy and completeness of the contents of the annual report, guarantee that there are no false representations, misleading statements or material omissions contained in this annual report, and are jointly and severally responsible for the liabilities of the Company.

Chen Hongguo, head of the Company, Dong Lianming, head in charge of accounting and Zhang Bo, head of the accounting department (Accounting Officer), declare that they warrant the truthfulness, accuracy and completeness of the financial report in the annual report.

All Directors have attended the board meeting to review this report.

The Company is exposed to various risk factors such as macro-economic fluctuation, state policies and regulations and competition in the industry. Investor should be aware of investment risks. For further details, please refer to the risk factors likely to be faced and the measures to be taken to address them as set out in the outlook on the future development of the Company in Management Discussion and Analysis.

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

I Important Notice, Table of Contents and Definitions

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I Important Notice, Table of Contents and Definitions

Documents Available for Inspection

- I. The financial statements signed and sealed by the legal representative, financial representative and head of the financial department of the Company.
- II. The original copy of the auditor's report which is sealed by the accounting firm and signed and sealed by the certified public accountants.
- III. The original copies of the documents and announcements of the Company disclosed in the designated newspaper and on the website as approved by the CSRC during the reporting period.
- IV. The annual report disclosed on the website of The Stock Exchange of Hong Kong Limited.
- V. Other related information.

I Important Notice, Table of Contents and Definitions

Definitions

Item		Definition
Company, Group, Chenming Group, Chenming Paper or Chenming Paper Company	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Parent Company or Shouguang Headquarters	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
Shandong CSRC	means	Shandong branch of China Securities Regulatory Commission
Zhanjiang Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Jiangxi Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Wuhan Chenming	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Shanghai Chenming	means	Shanghai Chenming Industry Co., Ltd.
Huanggang Chenming	means	Huanggang Chenming Pulp & Paper Co., Ltd.
Chenming (HK)	means	Chenming (HK) Limited
Jilin Chenming	means	Jilin Chenming Paper Co., Ltd.
Shouguang Meilun	means	Shouguang Meilun Paper Co., Ltd.
Shouguang Art Paper	means	Shouguang Chenming Art Paper Co., Ltd.
Finance Company	means	Shandong Chenming Group Finance Co., Ltd.
Chenming Investment	means	Shandong Chenming Investment Limited
Chenming Leasing	means	Shandong Chenming Financial Leasing Co., Ltd. and its subsidiaries
Chenming GDR Fund	means	Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Chenrong Fund	means	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)

I Important Notice, Table of Contents and Definitions

Item		Definition
Chenchuang Fund	means	Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)
Dongxing Investment	means	Dongxing Securities Investment Co., Ltd.
Chongqing Trust	means	Chongqing International Trust Co., Ltd.
Chenming Asset Management	means	Chenming (Qingdao) Asset Management Co., Ltd.
Corporate Bonds	means	18 Chenming Bond 01
Perpetual Bonds	means	17 Lu Chenming MTN001
the reporting period or the year	means	The period from 1 January 2022 to 31 December 2022
the beginning of the year or the period	means	1 January 2022
the end of the year or the period	means	31 December 2022
the prior year	means	The period from 1 January 2021 to 31 December 2021

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業 晨鳴 B	Stock code	000488 200488
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Short name in Chinese of the Company	晨鳴紙業		
Name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		
Registered address	No. 595 Shengcheng Road, Shouguang City, Shandong Province		
Postal code of registered address	262700		
Changes of the registered address of the Company	Nil		
Office address	No.2199 Nongsheng East Road, Shouguang City, Shandong Province		
Postal code of office address	262705		
Website of the Company	http://www.chenmingpaper.com		
Email address	chenmmingpaper@163.com		

II. Contact persons and contact methods

	Secretary to the Board	Hong Kong Company Secretary
Name	Yuan Xikun	Chu Hon Leung
Correspondence Address	No. 2199 Nongsheng East Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong
Telephone	0536-2158008	00852-21629600
Facsimile	0536-2158977	00852-25010028
Email address	chenmmingpaper@163.com	liamchu@li-partners.com

III. Information disclosure and places for inspection

Websites of the stock exchanges where the Company discloses its annual report	Domestic: http://www.szse.cn ; overseas: http://www.hkex.com.hk
Names and websites of the media where the Company discloses its annual report	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, Hong Kong Commercial Daily and CNINFO (http://www.cinifo.com.cn)
Places for inspection of the Company's annual report	Securities investment department of the Company

IV. Change in registration

Organisation registration code	913700006135889860
Change of principal activities since its listing (if any)	No
Change of the controlling shareholder (if any)	No

II Company Profile and Key Financial Indicators

V. Other relevant information

CPAs engaged by the Company

Name of CPAs	Grant Thornton (Special General Partnership
CPAs' Office Address	Floor 11, Building No. 4, HuaChuang GuanLi Center, 219 Shunhai Road, Lixia District, Jinan
Name of the Signing Certified Public Accountants	Liu Jian and Jiang Le

Sponsors engaged by the Company to continuously perform its supervisory function during the reporting period

Applicable Not applicable

Financial advisors engaged by the Company to continuously perform its supervisory function during the reporting period

Applicable Not applicable

VI. Major accounting data and financial indicators

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

Yes No

	2022	2021	Increase/decrease for the year as compared to the prior year	2020
Revenue (RMB)	32,004,367,320.91	33,019,812,294.14	-3.08%	30,736,517,996.90
Net profit attributable to shareholders of the Company (RMB)	189,290,120.82	2,065,513,108.71	-90.84%	1,712,029,078.52
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	-361,459,377.16	1,743,876,537.12	-120.73%	1,119,103,808.75
Net cash flows from operating activities (RMB)	3,449,824,242.37	8,581,888,192.64	-59.80%	11,259,802,676.28
Basic earnings per share (RMB per share)	0.03	0.56	-94.64%	0.36
Diluted earnings per share (RMB per share)	0.03	0.56	-94.64%	0.36
Rate of return on weighted average net assets	0.55%	9.56%	Decreased by 9.01 percentage points	5.84%

	As at the end of 2022	As at the end of 2021	Increase/decrease as at the end of the year compared to the end of the prior year	As at the end of 2020
Total assets (RMB)	84,301,017,409.62	82,869,661,681.08	1.73%	91,575,457,828.62
Net assets attributable to shareholders of the Company (RMB)	19,084,565,494.92	19,117,985,306.48	-0.17%	24,276,968,789.00

II Company Profile and Key Financial Indicators

Data specification: The net profit attributable to shareholders of the Company does not exclude the effect of the interest payment deferred and accumulated to subsequent periods for Perpetual Bonds. When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on Perpetual Bonds of RMB89,700,000.00 during the reporting period is deducted.

The lower of the Company's net profit before or after extraordinary gains or losses in the last three accounting years is negative, and the audit report for the last year shows that the Company's ability to continue as a going concern is uncertain

Yes No

The lower of net profit before or after extraordinary gains or losses is negative

Yes No

Item	2022	2021	Remark
Revenue (RMB)	32,004,367,320.91	33,019,812,294.14	Revenue from sales of materials of RMB903,160,256.93, and other revenue of RMB127,610,203.33.
Deduction to revenue (RMB)	1,030,770,460.26	2,203,901,882.20	
Revenue after deduction (RMB)	30,973,596,860.65	30,815,910,411.94	

VII. Differences in accounting data under domestic and overseas accounting standards

1. Differences between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report

Applicable Not applicable

There was no difference between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report during the reporting period.

2. Differences between the net profit and net assets disclosed in accordance with overseas accounting standards and China accounting standards in the financial report

Applicable Not applicable

There was no difference between the net profit and net assets disclosed in accordance with overseas accounting standards and China accounting standards in the financial report during the reporting period.

VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	8,514,983,059.74	8,161,445,306.09	8,679,605,529.93	6,648,333,425.15
Net profit attributable to shareholders of the Company	113,917,827.90	116,223,635.86	10,434,396.87	-51,285,739.81
Net profit after extraordinary gains or losses attributable to shareholders of the Company	99,637,959.12	73,769,968.01	-18,272,552.33	-516,594,751.96
Net cash flows from operating activities	222,704,964.47	775,559,244.98	150,935,364.72	2,300,624,668.20

II Company Profile and Key Financial Indicators

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

Yes No

IX. Five-year financial summary under paragraph 19 of appendix 16 of the Hong Kong Listing Rules

Unit: RMB'0,000

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Revenue	3,200,437	3,301,981	3,073,652	3,039,543	2,887,576
Profit before tax	18,227	230,618	217,227	204,848	320,632
Tax	-13,509	21,650	26,606	29,518	64,158
Profit for the current period attributable to shareholders of the Company	18,929	206,551	171,203	165,657	250,983
Minority interests	12,807	2,417	19,418	9,673	5,491
Basic earnings per share (RMB/share)	0.03	0.56	0.36	0.33	0.51
Rate of return on weighted average net assets (%)	0.55%	9.56%	5.84%	5.57%	8.51%

Unit: RMB'0,000

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Total assets	8,430,102	8,286,966	9,157,546	9,795,891	10,531,873
Total liabilities	6,057,276	6,029,463	6,577,519	7,161,914	7,944,704
Minority interests	464,369	345,705	152,329	117,003	82,296
Equity attributable to shareholders of the Company	1,908,457	1,911,799	2,427,697	2,516,974	2,504,873
Net current assets (liabilities)	-1,917,930	-1,766,446	-1,516,398	-774,633	-1,344,718
Total assets less current liabilities	3,240,227	3,233,471	4,052,922	4,526,014	4,390,405

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount for 2022	Amount for 2021	Amount for 2020	Description
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	161,509,859.17	162,163,302.50	-51,477,216.37	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard in compliance with national policies and regulations) accounted for in profit or loss for the current period	314,934,315.62	261,974,874.53	943,720,129.34	
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading and financial liabilities held for trading, as well as investment gains from disposal of financial assets held for trading, financial liabilities held for trading and financial assets available for sale	-35,178,162.53	-54,802,461.29	21,166,216.02	
Profit or loss from debt restructuring	967,464.91	24,593,731.72	-14,942,498.74	
Reversal of provision for impairment of receivables individually tested for impairment	275,585,463.86			
Profit or loss from changes in the fair value of consumable biological assets subsequently measured at fair value	9,924,233.72	-41,899.05	-13,329,852.55	
Other non-operating income and expenses other than the above items	-37,391,130.09	-15,461,704.28	8,582,997.62	
Loss on abnormal work stoppage			-24,567,901.71	
Less: Effect of income tax	137,333,913.66	60,135,956.19	120,949,832.54	
Effect of minority interests (after tax)	2,268,633.02	-3,346,683.65	155,276,771.30	
Total	550,749,497.98	321,636,571.59	592,925,269.77	

Details of other gain or loss items that fall within the definition of extraordinary gain or loss:

Applicable Not applicable

The Company did not have details of other gain or loss items that fall within the definition of extraordinary gain or loss.

Explanation on the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses defined as its recurring gain or loss items

Applicable Not applicable

No extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Extraordinary Gains or Losses were defined by the Company as its recurring gain or loss items.

III Chairman's Report

Dear shareholders,

I am pleased to present the report of the Company for the financial year ended 31 December 2022 to all shareholders, and on behalf of the board of directors, I would like to express my sincere gratitude to all shareholders for their care and support for the Company.

In 2022, the Company overcame the disturbance of external factors such as rising raw material prices and multiple outbreaks of the pandemic, sustained steady operation, continued to maintain profitability, and demonstrated strong resilience in development.

Seeking development in the “new normal”

The Company used flexible and versatile strategies to reduce costs and increase efficiency against an extremely harsh economic environment, seeking maximum operational benefits. On the one hand, we kept up with market changes to timely adjust product strategies and purchasing strategies, and further strengthened our inventory, capital and financial risk management to ensure safety and stability of the capital chain. We also introduced strategic investors to increase our capital strength. On the other hand, we seized the opportunities arising from a sharp decline in the overseas paper product supply, accelerated our “overseas expansion” strategy, and extended our global footprint. During the reporting period, both sales volume and prices of the products of the Company rose overseas with a significant increase of the sales. Meanwhile, the Company comprehensively improved its product and service quality to seek improvement in products' added value, and develop stable customer relationships. During the reporting period, the Company maintained the sales volume of its major machine-made paper products at a high level, and the product prices also rose year on year. The Company still made profit amid pressure despite a significantly narrowing profit squeeze of the Company due to weak market demand and higher production costs. In 2022, the Company realised net profit of RMB317 million.

Gaining strength for sustainable development

Chinese papermaking companies have long been dependent on imported pulp, and the full implementation of the “waste ban” has further boosted the demand for alternative raw materials. In order to avoid dependence on external pulp and adapt to the need for upgrading the papermaking raw material structure, the Company develops a comparative advantage in production costs by continuously deepening the layout of a “pulp and paper integration” strategy. At present, the Company are equipped with wood pulp production lines at its major production bases with total wood pulp production capacity of 4.30 million tonnes, basically realising broadleaf wood pulp self-sufficiency. The Company is also planning to build its softwood wood pulp production capacity to further improve its raw material self-sufficiency structure and refine its upstream supply chain.

The Company has pulp and papermaking capacity of more than 11 million tonnes with economies of scale. We will strive to achieve optimal production capacity by making overall arrangements and planning scientifically. The Company has seven series of products such as culture paper, white cardboard and coated paper, which are oriented to different fields of production and life, and will further shift to green, lightweight and high-end development in the future. The Company has built production capacity of approximately 2 million tonnes of high bulk cardboard, coated cardboard and food package board in, among others, Zhanjiang Shouguang and Jiangxi, and constantly improved products' added value to seize market opportunities brought about by the “plastic ban”.

The sustainable competitiveness of an enterprise depends on the intensity of its knowledge and technology elements. Therefore, the Company attaches great importance to the independent innovation cultivation, makes full use of the R&D advantages of the national enterprise technology centre and post-doctoral working station, and constantly enhances its R&D strength. As at the end of the reporting period, the Company had obtained more than 380 national patents, and had taken the lead among domestic peers in passing ISO9001 quality system certification, ISO14001 environmental protection system certification and FSC-COC international forest system certification in China. In addition, the Company's major production lines had reached the international advanced level.

III Chairman's Report

Striving for innovation amid change and progress amid stability

Although uncertainties persist in the short run, the domestic pandemic stabilised with orderly work and production resumption, and an expected gradual recovery of market demand. In the long run, there will be still a huge paper demand to be satisfied in China with reference to China's GDP per capita heading for the level of a medium-level developed country by 2035, and the historical experience of developed countries. In addition, the industry landscape has been continuously optimised with the advantages of the top companies further strengthened due to environmental protection, the market factor, and others.

In an unprecedented complex situation, only by adapting to trends and responding flexibly can the initiative be seized. In the future, we will strive for innovation amid change and progress amid stability in the following four aspects:

We will firmly promote the "pulp-paper integration" strategy. We will ensure the "quality and quantity" of the self-sufficient pulp supply, which will be supplemented by a flexible procurement strategy, to constantly consolidate our cost advantage of raw materials.

We will promote mutual facilitation between production and sales. We will capitalise on market demand to produce products which can best meet customer demand, and help market development based on product quality. We will take advantage of our intensive sales network, capitalise on the changes of customer demand, and promote the optimisation of the product structure and product quality.

We will strengthen our financial management. We will strengthen the management of the working capital and cash flows, and strike a balance between the financing size and financing costs.

We will adhere to green development. We will strengthen pollution prevention and control and improve resource utilisation efficiency.

On behalf of the board of directors, I would like to take this opportunity to express my heartfelt gratitude to all colleagues, partners, clients and investors for their understanding, supporting and acknowledgement of our enterprise in the previous year.

Chen Hongguo
Chairman

30 March 2023

IV Management Discussion and Analysis

I. Industry Situation of the Company during the Reporting Period

The industry in which the Company operates is paper making and paper product industry.

The paper making industry is one of the basic industries of the national economy that has the typical characteristics of large-scale industrial production such as continuous and efficient operation and significant scale benefits, which is closely related to social and economic development and people's lives. Since the reform and opening up, with the sustained and rapid development of the national economy, China's paper making industry has gradually begun to transform from extensive growth to intensive growth. At the same time, driven by the upgrade of social demand, the increase of environmental protection policies, the continuous progress of technology and the change of resource supply, the reduction of low-end production capacity has been accelerated, and the structure of the paper making industry has been continuously optimised. However, the close connection between the paper making industry and the macroeconomy also renders the industry more sensitive to changes in the macroeconomy.

During the reporting period, the global pandemic became widespread. Affected by the international situation and economic environment, energy and logistics costs remained high with higher inflation risks. Consumption and the supply chain operation were frustrated to a significant extent with greater pressure downward pressure on the economy. For the papermaking industry, on the one hand, production costs rose significantly due to soaring upstream pulp, energy and transportation prices. On the other hand, the rise of paper product prices failed to keep pace with production costs due to factors such as sluggish downstream consumption and weak demand. A significantly narrowing profit squeeze in the industry intensified pressure on operation.

In terms of output, revenue and profitability, according to data from the Ministry of Industry and Information Technology, in 2022, the national output of machine-made paper and paperboard was 136.914 million tonnes, down 1.3% year on year. Revenue of papermaking and paper product enterprises above designated size was RMB1,522.89 billion, up 0.4% year on year. Total profit was RMB62.11 billion, down 29.8% year on year. The output and revenue size in the industry remained stable, but the profit level dropped significantly.

Although the short-term performance of the industry is relatively low, the industry is expected to realise profit recovery with the gradual stabilisation of the domestic pandemic and the gradual recovery of market demand. In the long run, China's paper products market still has large scope for development, according to the national "dual circulation" strategy and "China's GDP per capita heading for the level of a medium-level developed country by 2035".

IV Management Discussion and Analysis

II. Principal activities of the Company during the Reporting Period

The Company is a large modern conglomerate principally engaged in pulp production and paper making, and the machine-made paper business is the major source of revenue and profit of the Company. At present, the Company has production bases in Shandong, Guangdong, Jiangxi, Hubei, Jilin and other places, with annual pulp and paper production capacity of more than 11 million tonnes. It is the first domestic paper making enterprise that achieves a balance between pulp production and paper making capacity. During the reporting period, continuously taking “revitalising the Chinese papermaking industry” as its mission, the Company had been committed itself to implementing a pulp and paper integration strategy. It deepened the development of pulp production and papermaking, its major operation, and realised revenue of RMB32,004 million and net profit of RMB317 million. There was no significant change in the principal activities of the Company.

1. Products

The Company attaches great importance to technology research and development and brand benefits. Adopting the market-oriented approach, the Company adheres to technological innovation, continuously improves the level of technological research and development and product service quality, develops green and low-carbon products with high technological content and high added value, and comprehensively enhances the core competitiveness of products. At present, the Company has the largest and most advanced pulping and papermaking production lines in the world, with machine-made paper products covering more than 200 types in seven series, including culture paper, coated paper, white cardboard, copy paper, industrial paper, special paper, and household paper. The Company owns “BIYUNTIAN”, “GOLDEN MINGYANG”, “CHENMING CLOUDY MIRROR”, “CHENMING CLOUDLY LION”, “CHENMING SNOW SHARK”, “CHENMING EAGLE”, “CHENMING GONGHAO”, “XINGZHILIAN” and other famous brands, with each major product ranking among the highest in terms of market share in China. It is the enterprise with the largest variety of products and the most complete products in the domestic paper making industry.

During the reporting period, the Company was shortlisted for the list of “Top 500 Most Valuable Brands in China in 2022” and won the title of “2022 Shandong Province Science and Technology Leading Enterprise”. Its main products such as culture paper, coated paper and household paper were selected into the first batch of “Shandong’s Good Product” brand list, and its poplar coated white cardboard, Xingzhilian tissue paper and Xingzhilian toilet paper had won the national “Green Design Products” award, fully demonstrating the Company’s excellent achievement in brand building and strong brand value.

IV Management Discussion and Analysis

II. Principal activities of the Company during the Reporting Period (Continued)

1. Products (Continued)

Category	Major brands and types	Major production companies	Range of application
Culture paper series	<ol style="list-style-type: none"> “BIYUNTIAN”, “CLOUDY MIRROR”, “CLOUDY LEOPARD” and “YUNJIN” all-wood pulp offset paper and electrostatic base paper “CLOUDY LION” and “CLOUDY CRANE” original white offset paper “CLOUDY PINE” and “GREEN PINE” light weight paper Blueprint paper, colour offset paper, pure texture paper, non-fluorescent offset paper, PE offset paper Beige and high white book paper Light weight coated paper 	Shouguang Headquarters Zhanjiang Chenming Jilin Chenming	Printing publications, textbooks, magazines, covers, illustrations, notebooks, test papers, teaching materials, reference books, etc.
Coated paper series	<ol style="list-style-type: none"> “SNOW SHARK” and “EAGLE” one-sided coated paper “SNOW SHARK”, “EAGLE” and “RABBIT” double-sided coated paper “EAGLE” and “RABBIT” matte coated paper 	Shouguang Headquarters Shouguang Meilun	Double-sided coated paper is suitable for high quality printing, such as high-grade picture albums, picture, magazines and so on, promotional materials such as interior pages of high-end books, wall calendars, posters and so on, and suitable for suitable for high-speed sheet printing and high-speed rotary printing; One-sided coated paper is suitable for upscale tobacco package paper, adhesive sticker, shopping bags, slipcases, envelopes, gift wrapping and so on, and suitable for large format printing and commercial printing
White cardboard series	<ol style="list-style-type: none"> White cardboard of “LIYA” series, white cardboard and ivory cardboard of “LIPIN” and “POPLAR” series, high bulk cardboard and ivory cardboard of “LIZZY” and “BAIYU” series, and super high bulk cardboard of “LIYING” and “BAIYU” series Food package board of “LIYA” and “LIZZY” series Coated cattle card and LIYA book card Playcard paper board Chenming cigarette cardboard 	Shouguang Headquarters Jiangxi Chenming Zhanjiang Chenming	High-end gift boxes, cosmetics boxes, tags, shopping bags, publicity pamphlets, high-end postcards; cigarette package printing of medium and high quality; milk package, beverage package, disposable paper cups, milk tea cups, and noodle bowls.
Copy paper series	“GOLDEN MINGYANG” and “GOLDEN CHENMING” copy paper, “BOYA” and “BIYUNTIAN” copy paper, “MINGYANG”, “LUCKY CLOUDS”, “BOYANG” and “SHANYIN” copy paper, and “GONGHAO” and “TIANJIAN” copy paper	Shouguang Meilun Zhanjiang Chenming	Printing and copying business documents, training materials, and writing.
Industrial paper series	High-grade yellow anti-sticking base paper, ordinary yellow/white anti-sticking base paper and PE paper	Shouguang Headquarters Jiangxi Chenming Zhanjiang Chenming	Anti-stick base paper is mainly used for producing the paper base of stripping paper or anti-sticking base paper; Cast coated base paper is suitable for producing adhesive paper or playcard compound paper after coating
Special paper series	Thermal paper and glassine paper	Shouguang Art Paper	High-grade adhesive backing paper for electronics, medicine, food, washing supplies, supermarket labels, double-sided tapes, etc.
Household paper series	Toilet paper, facial tissue, pocket tissue, napkin, paper towels and “XINGZHILIAN”	Shouguang Meilun	Daily toilet supplies; used in restaurants and other catering industries, and used in public toilets in hotels, guesthouses, and office buildings, and also suitable for home and other environment.

IV Management Discussion and Analysis

II. Principal activities of the Company during the Reporting Period (*Continued*)

2. Operation model

During the reporting period, the Company's business model did not undergo major changes.

(1) Purchase model

The Company has established a supply chain management centre which adopts a supply chain management model of “centralised procurement by the Group, source as the first priority, hierarchical separation and one-vote veto”. Through continuous improvement of the procurement information system, the Company has fully realised machine control management, and optimised the authorisation approval process, effectively standardising the procurement management system. Based on the needs of production bases, the Group integrates the resources of related parties and implements centralised procurement. The Company seeks sources and high-quality suppliers through industry exhibitions, on-site inspections and competitive factory research to strengthen procurement at source and reduce procurement costs; and introduces a supplier competition mechanism by establishing a three-level joint review mechanism for suppliers and implementing a system of eliminating substandard suppliers, so as to improve supply quality. Meanwhile, the Company actively cooperates with financial institutions and third parties in the supply chain financial business, and fully utilises the funds from contributing parties to lower procurement costs, deepen strategic cooperation and enhance supply chain competitiveness.

(2) Production model

The Company has committed itself to implementing a pulp and paper integration strategy. Adhering to the concept of “placing green development and environmental protection as its priority”, the Company has actively promoted clean production and vigorously carried out energy conservation and emission reduction, aiming to be a resource-saving and environmentally friendly model enterprise. It is innovating an integrated use of resources and a circular industrial development mode, and an “ecological chain” featuring resources, products and recycled resources has been established. As for production process, the Company takes planned management as the focus and implements a hierarchical planned management model for the Group, the Company, factories and workshops. Its production volume is determined based on the sales, its production is arranged scientifically, and its inventories are under strict control. The Group has set up a production scheduling centre to monitor the operation of the production lines of each subsidiary around the clock on a real-time basis, so as to ensure normal production. It has actively built and promoted the MES management system, and realised the timely information transfer between the management and the production control unit through bridging the gap between the ERP and DCS systems.

(3) Marketing model

The Company has always adhered to the marketing concept of “Good faith, Win-Win and Sharing” while wholeheartedly serving its customers. The Company has a relatively mature sales network, and has set up specialised sales companies responsible for the development of domestic and overseas markets, product sales, and formulation of sales policies. The sales companies' management systems are divided into product lines, product companies, management areas, and branches to achieve matrix management. The sales companies are divided into product companies of culture paper series, coated paper series, white cardboard series, electrostatic paper series, special paper series and household paper series according to product line. Each product company has its administrative district. A regional general manager is responsible for his/her administrative district, under which branch companies are set up. The chief representatives of the branch companies have full authority to deal with branch business.

IV Management Discussion and Analysis

II. Principal activities of the Company during the Reporting Period *(Continued)*

2. Operation model *(Continued)*

(3) Marketing model *(Continued)*

The Company has implemented a three-level scheduling mechanism. Branch companies, administrative districts, and sales companies schedule task indicators daily to ensure the effective implementation of the plans. It sticks to a “four-level visit mechanism” to gain deep market insights and meet customer needs. Meanwhile, by leveraging its comprehensive information systems, the Company has realised It-based management. It has also established and improved the complaint handling system and customer satisfaction system to enhance the Company’s marketing management level.

(4) R&D Mode

The Company is market-oriented, and innovation is its driving force. It highly values technological R&D, and has formed a variety of R&D modes such as independent R&D, technology introduction, and industry university research cooperation. At present, the Company has a number of domestically leading innovative R&D platforms, including the national enterprise technology centre, the post-doctoral working station, the state certified CNAS pulp and paper testing centre, Shandong Pulp and Paper Making Engineering Lab and the Guangdong Pulp and Paper Production Technology Research Centre, which have enhanced its independent innovation capabilities. Meanwhile, on the basis of introducing internationally advanced pulp and paper production lines and advanced technologies, the Company has made technological improvements and re-innovations, and established new standards for processes and product quality, forming distinctive core technologies. The Company also works hard on the following aspects: carrying out academic research with colleges and universities and R&D institutions such as Qilu University of Technology, Qingdao University of Science and Technology, Tianjin University of Science and Technology, and Institute of Chemical Industry of Forest Products of the Chinese Academy of Forestry, introducing, digesting and absorbing scientific research and innovation achievements, accelerating the industrialisation of new and high technologies, optimising product mix, and improving the competitiveness of its products in the market.

3. The position of the Company in the industry during the reporting period

The papermaking industry is a strategic and fundamental industry closely related to national economic and social development. In 2022, the papermaking industry had a narrowing profit squeeze with declining prosperity due to a sharp rise in the prices of raw materials, power and logistics in the upstream market and the weak demand in the downstream market. According to data of the Ministry of Industry and Information Technology, total profit of papermaking and paper product enterprises above designated size nationwide in 2022 was RMB62.11 billion, down nearly 30% year on year. According to data of the National Bureau of Statistics, as of December 2022, the number of loss-making papermaking and paper product enterprises was 1,799, representing a year-on-year increase of 40.9%. In this context, the Company responded flexibly and stubbornly, and continued to make profit amid difficulties, thereby showing its strong resilience.

IV Management Discussion and Analysis

II. Principal activities of the Company during the Reporting Period *(Continued)*

3. The position of the Company in the industry during the reporting period *(Continued)*

As a leading player in the paper making industry of China, the Company has implemented the strategy of innovative operation, quickened its pace in growth driver replacement and led the way in full industry chain operation, and has emerged as the only paper making enterprise in China to achieve capacity balance between pulp production and paper making. Currently, the Company has the annual pulp and paper production capacity of over 11 million tonnes, tops the industry in its paper product variety and ranks among the best in China in terms of the market share of its major products. During the reporting period, the Company strove to implement its strategy of pulp and paper integration, with a coordinated development pattern further formed with Shouguang in the north, Huanggang in the middle, and Zhanjiang in the south. The Company seized opportunities in overseas markets and improved its global sales network, thus significantly growing sales to overseas markets. The Company strengthened its management, prevented and controlled risks, and laid the foundation for its sustainable development. The Company optimised the product structure, improved service quality, and strove to increase products' added value, which further consolidated its leading position in the industry. The Company had won awards such as "Top 500 Chinese Enterprises", "Fortune China 500" and "Top 10 Enterprises in the PRC Light Industry – Paper Sector", which reflected the high recognition and full affirmation of the Company from all walks of life.

III. Analysis of Core Competitiveness

After innovation and development for more than 60 years, the Company has created a strong brand influence and cultivated a solid comprehensive competitiveness. It promotes product upgrades, enhances R&D strength and improves core competitiveness by building a supply chain. The core competitiveness of the Company did not underwent major changes during the reporting period. The details of the core competitiveness of the Company are as follows:

1. Advantages of pulp and paper integration

The Company has unwaveringly implemented a pulp and paper integration strategy. At present, its major production bases located in Shouguang, Zhanjiang, and Huanggang are equipped with chemical pulp production lines, with total production capacity of wood pulp reaching 4.30 million tonnes. It is the first modern large-scale paper making company that basically realises wood pulp self-sufficiency in China. A complete supply chain not only creates cost advantage for the Company, but also safeguards the safety, stability and quality of upstream raw materials, and renders strong support for the Company to maintain its long-term competitiveness.

2. Scale advantages

The paper making industry is a typical capital-intensive and technology-intensive industry that follows the laws of economies of scale. The Company is a leading player in the paper making industry in China. Its large-scale production bases can be found in the major markets in Southern, Central, Northern, and Northeast China, with annual pulp and paper production capacity reaching 11 million tonnes, where reasonable production scale creates the marginal cost advantage. Meanwhile, by leveraging the scale advantages, the Company has built an international logistics centre and railway dedicated lines and docks, and constructed a comprehensive logistics service platform covering container shipping, bonded warehousing, transfer and storage at stations and terminals, realising the improvement of logistics efficiency and the stability of logistics costs.

3. Product advantages

The Company is an enterprise that offers the widest and the most complete product range in the paper making industry. The product series include culture paper, white cardboard, coated paper, copy paper, household paper, thermal paper, etc., with each major product ranking among the best in terms of market share. The Company has attached great importance to technology research and development. By introducing the most advanced pulping and paper making technology and equipment in the world, it persists in technological innovation and work process optimisation, so as to help improve product quality and structure upgrade, continuously improve the brand value of Chenming, and enhance brand benefits.

IV Management Discussion and Analysis

III. Analysis of Core Competitiveness (Continued)

4. Industry layout advantages

Closely centring on the pulp and paper integration strategy, the Company has integrated resources and established its production bases in the core target market to promote the coordinated development of all regions. Currently, the Company adopts the market-oriented approach and has production bases in Shandong, Guangdong, Jiangxi, Hubei, Jilin and other places. With all products sold at close distances, the Company substantially reduces transportation costs while improving service efficiency, achieving a “win-win” between the Company and its users.

5. Advantages in technical equipment

The Company highly values the introduction and upgrades of technical equipment, actively push equipment and technology upgrade forward and boasts the largest and most advanced pulping and paper making production line in the world. The Company’s major production equipment has been imported from internationally renowned manufacturers, including Metso and Valmet of Finland, Voith of Germany, Andritz of Austria, etc. and reached the advanced international level, thus ensuring production efficiency and product quality.

6. Advantages in research and innovation

The Company has scientific research institutions including the national enterprise technology centre, the post-doctoral working station, the state certified CNAS pulp and paper testing centre. At the same time, the Company actively carries out in-depth industry-university-research cooperation with prestigious domestic universities and research institutes, continuously improves technical innovation capabilities and scientific research and development levels, and develops a series of new products with high technology contents and high added value as well as proprietary technologies. The Company and its subsidiaries Zhanjiang Chenming, Shouguang Meilun, Jiangxi Chenming, Jilin Chenming, Huanggang Chenming and Wuhan Chenming are high and new technology enterprises. As at the end of the reporting period, the Company had obtained over 380 national patents, and took the lead in obtaining the ISO9001 quality system certification, the ISO14001 environmental protection system certification and the FSC-COC international forest system certification among domestic peers.

7. Team management advantages

The Company possesses a complete and reasonable talent structure consisting of experienced personnel, including high-end talents specialising in production, technology, sales, finance, laws, etc. In the course of business operations, the stable core team has developed a corporate culture that ties in with the Company’s development, summarised management experience with industry characteristics, and formed a team advantage integrating management and culture, allowing it to accurately grasp the industry development trend. At the same time, the Company has paid attention to the construction of a talent reserve and cultivation mechanism. With advanced business concepts and enormous development space, the Company has attracted an array of high-calibre professionals and improved the level of human capital construction, providing solid guarantee for the Company’s long-term sustainable development.

IV Management Discussion and Analysis

III. Analysis of Core Competitiveness *(Continued)*

8. Advantages in environmental governance capacity

The Company has actively upheld the concept of “lucid waters and lush mountains are invaluable assets”, adhered to the development idea of “placing green development and environmental protection as its priority”, always regarded environmental protection as the “life project”, clung to the green development model of clean production and resource recycling, and earnestly shouldered the corporate responsibility of environmental protection. In recent years, the Company and its subsidiaries have invested more than RMB8 billion in total in environmental protection, and have constructed the pollution treatment facilities including the alkali recovery system, reclaimed water treatment system, reclaimed water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental protection indicators rank high in China and in the world. At present, the Company adopts the world’s most advanced “ultrafiltration membrane + reverse osmosis membrane” technology to complete the reclaimed water recycling membrane treatment project, which is the largest reclaimed water reuse project in the domestic paper industry. The reclaimed water recycle rate attains the industry-leading level. The reclaimed water quality meets drinking water standards, which can save hundreds of thousands cubic metres of fresh water every day. Meanwhile, in response to the “dual carbon” policy, the Company actively introduces photovoltaic power generation and biomass power generation, continuously optimises the energy structure and improves the level of low-carbon production.

IV. Analysis of principal operations

1. Overview

During the reporting period, operating costs of papermaking companies remained high as prices of bulk raw materials, energy and power as well as international logistics soared due to factors such as the further development of public health events, the international political turmoil and high inflation. Meanwhile, in the downstream market, the price transmission mechanism did not work due to weak demand in the domestic market and the year-on-year decrease in sales volume, resulting in a narrowing corporate profit squeeze. Against a challenging situation, the Company coordinated pandemic prevention and control, and production and operation with firm confidence against difficulties, and consolidated its profitability by strengthening internal management, optimising cost structure, curbing raw material costs, expanding overseas sales and other measures. In 2022, the Company produced 5.02 million tonnes and sold 5.15 million tonnes of machine-made paper, realising revenue of RMB32,004 million and net profit of RMB317 million.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost

(1) Components of revenue

Unit: RMB

	2022		2021		Increase/ decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	32,004,367,320.91	100%	33,019,812,294.14	100%	-3.08%
By industry					
Machine-made paper	28,398,850,766.51	88.73%	28,822,796,809.32	87.29%	-1.47%
Chemical pulp	1,043,284,411.27	3.26%	248,980,922.18	0.75%	319.02%
Mould processing	308,596,084.40	0.96%	429,452,007.72	1.30%	-28.14%
Electricity and steam	288,447,315.51	0.90%	303,940,594.69	0.92%	-5.10%
Construction materials	265,496,913.56	0.83%	349,945,005.51	1.06%	-24.13%
Hotel and property rentals	238,020,274.82	0.74%	148,941,357.80	0.45%	59.81%
Chemicals	169,232,476.00	0.53%	131,104,964.35	0.40%	29.08%
Others	1,292,439,078.84	4.04%	2,584,650,632.57	7.83%	-50.00%
By product					
White cardboard	9,061,724,789.41	28.31%	9,579,581,625.05	29.01%	-5.41%
Duplex press paper	8,449,759,248.92	26.40%	7,287,152,353.07	22.07%	15.95%
Coated paper	4,149,820,827.47	12.97%	4,310,744,513.87	13.06%	-3.73%
Electrostatic paper	4,077,351,284.38	12.74%	3,857,097,045.49	11.68%	5.71%
Anti-sticking raw paper	973,542,096.46	3.04%	1,168,436,835.30	3.54%	-16.68%
Thermal paper	582,687,847.45	1.82%	540,941,351.36	1.64%	7.72%
Other machine-made paper	1,103,964,672.42	3.45%	2,078,843,085.18	6.30%	-46.90%
Chemical pulp	1,043,284,411.27	3.26%	248,980,922.18	0.75%	319.02%
Mould processing	308,596,084.40	0.96%	429,452,007.72	1.30%	-28.14%
Electricity and steam	288,447,315.51	0.90%	303,940,594.69	0.92%	-5.10%
Construction materials	265,496,913.56	0.83%	349,945,005.51	1.06%	-24.13%
Hotel and property rentals	238,020,274.82	0.74%	148,941,357.80	0.45%	59.81%
Chemicals	169,232,476.00	0.53%	131,104,964.35	0.40%	29.08%
Others	1,292,439,078.84	4.04%	2,584,650,632.57	7.83%	-50.00%
By geographical segment					
Mainland China	23,860,251,349.91	74.55%	28,894,011,653.20	87.51%	-17.42%
Other countries and regions	8,144,115,971.00	25.45%	4,125,800,640.94	12.49%	97.39%
By sales mode					
Distribution	20,430,260,632.51	63.84%	21,812,237,365.81	66.06%	-6.34%
Direct sales	11,574,106,688.40	36.16%	11,207,574,928.33	33.94%	3.27%

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost (Continued)

(2) Industries, products, regions and sales model accounting for over 10% of revenue or operating profit of the Company

Applicable Not applicable

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/ decrease of revenue as compared to the corresponding period of the prior year	Increase/ decrease of operating costs as compared to the corresponding period of the prior year	Increase/ decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made paper	28,398,850,766.51	24,448,024,979.32	13.91%	-1.47%	10.89%	-9.60%
By product						
White cardboard	9,061,724,789.41	7,826,962,810.39	13.63%	-5.41%	19.66%	-18.09%
Duplex press paper	8,449,759,248.92	7,407,821,676.66	12.33%	15.95%	23.37%	-5.27%
Coated paper	4,149,820,827.47	3,457,680,224.04	16.68%	-3.73%	10.45%	-10.70%
Electrostatic paper	4,077,351,284.38	3,497,341,216.24	14.23%	5.71%	11.35%	-4.34%
By geographical segment						
Mainland China	23,860,251,349.91	20,280,445,319.82	15.00%	-17.42%	-5.78%	-10.51%
Other countries and regions	8,144,115,971.00	7,093,280,387.18	12.90%	97.39%	91.82%	2.53%
By sales mode						
Distribution	20,430,260,632.51	17,608,282,200.91	13.81%	-6.34%	5.53%	-9.69%
Direct sales	11,574,106,688.40	9,765,443,506.09	15.63%	3.27%	14.39%	-8.20%

Under the circumstances that the statistics specification for the Company's principal operations data experienced adjustment in the reporting period, the principal activity data upon adjustment of the statistics specification as at the end of the reporting period in the latest year

Applicable Not applicable

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost (Continued)

(3) Whether revenue from sales in kind is higher than revenue from services

Yes No

By industry	Item	Unit	2022	2021	Increase/ decrease
Machine-made paper	Sales	'0,000 tonnes	515	545	-5.50%
	Production output	'0,000 tonnes	502	550	-8.73%
	Inventories	'0,000 tonnes	32	45	-28.89%

Explanation on why the related data varied by more than 30%

Applicable Not applicable

(4) Performance of material sales contracts and material procurement contracts of the Company during the reporting period

Applicable Not applicable

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost (Continued)

(5) Composition of operating costs

By industry

Unit: RMB

By industry	Item	2022	% of	2021	% of	Increase/ decrease
		Amount	operating costs	Amount	operating costs	
Machine-made paper	Raw materials	13,880,562,601.16	56.78%	13,227,151,426.95	60.00%	4.94%
	Energy and power	3,551,871,417.54	14.53%	2,771,580,665.06	12.57%	28.15%
	Chemicals	3,219,278,883.07	13.17%	2,737,960,681.46	12.42%	17.58%
	Depreciation	1,015,882,589.52	4.16%	918,340,112.21	4.17%	10.62%
	Shipping fee	991,532,365.83	4.06%	986,623,212.89	4.48%	0.50%
	Labour costs	300,586,979.17	1.23%	282,029,126.21	1.28%	6.58%
	Other production costs	1,488,310,143.03	6.09%	1,123,094,139.11	5.09%	32.52%
	Subtotal	24,448,024,979.32	100.00%	22,046,779,363.89	100.00%	10.89%
Chemical pulp	Raw materials	483,207,371.49	59.18%	120,467,023.13	62.81%	301.11%
	Energy and power	123,647,038.01	15.14%	25,242,326.28	13.16%	389.84%
	Chemicals	112,068,893.16	13.72%	24,936,130.39	13.00%	349.42%
	Accumulated Depreciation	35,364,701.70	4.33%	8,363,834.05	4.36%	322.83%
	Labour costs	10,463,973.85	1.28%	2,568,596.08	1.34%	307.38%
	Other production costs	51,810,755.29	6.34%	10,228,642.84	5.33%	406.53%
	Subtotal	816,562,733.50	100.00%	191,806,552.77	100.00%	325.72%
Power and steam	Raw materials	214,274,012.48	79.34%	198,834,959.40	76.47%	7.76%
	Depreciation	26,624,446.17	9.86%	19,199,537.95	7.38%	38.67%
	Labour costs	8,596,817.64	3.18%	6,844,347.79	2.63%	25.60%
	Energy and power	6,245,631.23	2.31%	25,124,584.80	9.66%	-75.14%
	Chemicals	470,492.88	0.17%	746,078.65	0.29%	-36.94%
	Other production costs	13,862,506.91	5.13%	9,269,615.37	3.56%	49.55%
	Subtotal	270,073,907.31	100.00%	260,019,123.96	100.00%	3.87%
Construction materials	Raw materials	158,431,654.76	69.34%	222,297,889.45	70.37%	-28.73%
	Energy and power	22,399,396.93	9.80%	32,115,179.94	10.17%	-30.25%
	Shipping fee	16,755,150.18	7.33%	14,416,949.06	4.56%	16.22%
	Labour costs	8,353,153.12	3.66%	14,568,778.00	4.61%	-42.66%
	Depreciation	6,753,081.28	2.96%	9,626,644.95	3.05%	-29.85%
	Other production costs	15,800,412.81	6.92%	22,887,012.53	7.24%	-30.96%
	Subtotal	228,492,849.08	100.00%	315,912,453.93	100.00%	-27.67%

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost (Continued)

(6) Change of scope of consolidation during the reporting period

Yes No

During the year, 2 subsidiaries were newly established, namely Jiangxi Chenming Tea Co., Ltd. and Shouguang Meichen Energy Technology Co., Ltd., and 1 subsidiary was deregistered, namely Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd. 2 subsidiaries were acquired not within the definition of business, namely Shanxi Fuyin Industrial Trading Co., Ltd. and Chongmin Culture Development (Shanghai) Co., Ltd.

(7) Significant change in or adjustment of the businesses, products or services of the Company during the reporting period

Applicable Not applicable

(8) Sales to major customers and major suppliers

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	6,798,742,733.13
Total sales to top 5 customers as a percentage of the total sales for the year	21.24%
Sales to top 5 customers who are related parties as a percentage of the total sales for the year	0.00%

Information on top 5 customers of the Company

No.	Name of customer	Sales (RMB)	As a percentage of the total sales for the year (%)
1	Customer A	2,770,087,211.84	8.66%
2	Customer B	1,518,310,296.02	4.74%
3	Customer C	1,049,894,583.17	3.28%
4	Customer D	748,277,000.85	2.34%
5	Customer E	712,173,641.25	2.23%
Total	—	6,798,742,733.13	21.24%

Other explanation of the major customers

Applicable Not applicable

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost (Continued)

(8) Sales to major customers and major suppliers (Continued)

Major suppliers of the Company

Total purchases from top 5 suppliers (RMB)	5,703,690,083.06
Total purchases from top 5 suppliers as a percentage of the total purchases for the year	20.84%
Total purchases from top 5 suppliers who are related parties as a percentage of the total purchases for the year	0.00%

Information on top 5 suppliers of the Company

No.	Name of supplier	Purchases (RMB)	As a percentage of the total purchases for the year (%)
1	Supplier A	1,938,274,888.85	7.08%
2	Supplier B	1,042,029,772.30	3.81%
3	Supplier C	1,004,164,032.28	3.67%
4	Supplier D	911,744,349.39	3.33%
5	Supplier E	807,477,040.24	2.95%
Total	—	5,703,690,083.06	20.84%

Other explanation of the major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

	2022	2021	Increase/ decrease (%)	Reasons for material changes
Selling and distribution expenses	242,181,274.09	293,509,692.51	-17.49%	Sales volume and wages or salaries decreased year on year during the reporting period.
General and administrative expenses	750,546,703.34	942,360,735.54	-20.35%	Production interruption loss was adjusted in operating costs during the reporting period.
Finance expenses	2,146,556,149.06	2,387,471,286.46	-10.09%	Interest expenses of the Company decreased year on year during the reporting period.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

4. Research and development expenditure

√ Applicable □ Not applicable

Name of major R&D project	Project purpose	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
Technological development of high-bulk electrostatic paper	Saving raw materials	Industrialisation stage	To become domestically leading	Improving product quality, lowering transportation costs and production costs, and improving the Company's economic benefits.
Technological development of white cardboard for handbags	Enhancing product functionality or improving performance	Small testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Technological development of green-yellow vision protection culture paper	Enhancing product functionality or improving performance	Industrialisation stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Technological development of moisture-proof electrostatic copy paper	Enhancing product functionality or improving performance	Pilot testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Technological development of coated paper for high-end books and periodicals	Enhancing product functionality or improving performance	Pilot testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
New technology development of high strength paper for journals	Enhancing product functionality or improving performance	Small testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Technological development of thermal paper for menus	Enhancing product functionality or improving performance	Small testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Technological development of rapid oxidisation of corn starch	Reducing energy consumption or improving energy efficiency	Pilot testing stage	To become domestically leading	Improving product quality, lowering production costs and improving the Company's economic benefits.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

4. Research and development expenditure (Continued)

R&D personnel of the Company

	2022	2021	Percentage of change
R&D headcount	1,370	1,900	-27.89%
Ratio of R&D personnel	12.62%	15.45%	-2.83%
Academic background of R&D personnel			
Bachelor's degree	135	185	-27.03%
Master's degree	3	11	-72.73%
Age composition of R&D personnel			
Under 30	305	387	-21.19%
30~40 years old	717	1,034	-30.66%

Research and development expenditure of the Company

	2022	2021	Percentage of change
R&D expenditure (RMB)	1,290,281,540.10	1,453,766,371.46	-11.25%
R&D expenditure to revenue	4.03%	4.40%	-0.37%
Amount of R&D expenditure capitalised (RMB)	0.00	0.00	0.00
Capitalised R&D expenditure to R&D expenditure	0.00%	0.00%	0.00%

Reasons for and effects of significant changes in the composition of the Company's R&D personnel

Applicable Not applicable

Reasons for significant change in total R&D expenditure to revenue

Applicable Not applicable

Reasons for and reasonableness of the significant change of the capitalisation rate of R&D expenditure

Applicable Not applicable

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

5. Cash flows

Unit: RMB

Item	2022	2021	Increase/ decrease (%)
Subtotal of cash inflows from operating activities	36,218,528,896.13	39,306,294,223.43	-7.86%
Subtotal of cash outflows from operating activities	32,768,704,653.76	30,724,406,030.79	6.65%
Net cash flows from operating activities	3,449,824,242.37	8,581,888,192.64	-59.80%
Subtotal of cash inflows from investing activities	271,463,678.75	1,321,827,995.68	-79.46%
Subtotal of cash outflows from investing activities	2,716,434,567.72	1,156,106,779.05	134.96%
Net cash flows from investing activities	-2,444,970,888.97	165,721,216.63	-1575.35%
Subtotal of cash inflows from financing activities	37,596,224,354.35	33,237,001,445.83	13.12%
Subtotal of cash outflows from financing activities	39,577,284,434.80	43,177,497,483.93	-8.34%
Net cash flows from financing activities	-1,981,060,080.45	-9,940,496,038.10	80.07%
Net increase in cash and cash equivalents	-1,009,455,697.51	-1,220,254,116.77	17.27%

Explanation on main effects of material changes in relevant data year-on-year

Applicable Not applicable

- (1) Net cash flows from operating activities decreased by 59.80% as compared to the corresponding period of the prior year mainly because the Company's cash payment for purchasing goods increased significantly due to a year-on-year rise in the prices of raw materials such as wood chips, raw coal and chemicals during the reporting period.
- (2) Net cash flows from investment activities decreased by 1,575.35% as compared to the corresponding period of the prior year mainly because net cash inflow from investing activities decreased year on year due to the the participation in the establishment of joint ventures by Jiangxi Chenming, a subsidiary, during the reporting period for the purpose of revitalising the assets of the financial lease business, capitalising on the asset management capabilities of government platforms, and consolidating and optimising the resource allocation.
- (3) Net cash flows from financing activities increased by 80.07% as compared to the corresponding period of the prior year mainly due to the decrease in liabilities due to be repaid during the reporting period.

Explanation on reasons leading to the material difference between net cash flows from operating activities during the reporting period and net profit for the year

Applicable Not applicable

IV Management Discussion and Analysis

V. Analysis of non-principal operations

√ Applicable □ Not applicable

Unit: RMB

	Amount	As a percentage of total profit	Reason	Is it sustainable?
Other income	242,223,168.86	132.89%	Receipt of government grants related to daily business activities	Including RMB104 million which is the annual amortisation amount of government grants received in prior periods, which is sustainable
Gain or loss arising from the change in fair value	-25,253,928.81	-13.86%	Fluctuations of fair values of the shares of China Bohai Bank as well as forestry assets and other non-current financial assets	No
Credit impairment loss	-86,076,968.56	-47.23%	Bad debt provisions for receivables	No
Gain on disposal of assets	161,092,513.76	88.38%	Gains from disposal of land and plant during the reporting period	No
Non-operating income	77,248,685.76	42.38%	Mainly the receipt of government grants not related to daily business activities	No

VI. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	As of the end of 2022		As of the beginning of 2022		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Inventories	6,821,916,159.95	8.09%	5,282,631,922.12	6.37%	1.72%	Mainly due to an increase in the Company's raw material inventory, and an increase of development costs resulting from the transfer of the equity interest in Shanxi Fuyin to the leasing company for debt offsetting as at the end of the reporting period.
Non-current assets due within one year	3,998,724,415.85	4.74%	5,216,934,172.61	6.30%	-1.56%	Mainly due to a year-on-year decrease in the financial lease payments due within one year as at the end of the reporting period.
Other current assets	1,180,807,801.62	1.40%	1,903,929,492.85	2.30%	-0.90%	Mainly due to the refund of value-added tax (VAT) credit refund during the reporting period.
Long-term equity investments	4,277,013,369.56	5.07%	1,894,794,764.19	2.29%	2.78%	Mainly due to the investment made by Jiangxi Chenming and Chenming Leasing in Shouguang Jintou Industrial Investment Partnership (Limited Partnership) during the reporting period.

IV Management Discussion and Analysis

VI. Analysis of assets and liabilities (Continued)

1. Material changes of asset items (Continued)

	As of the end of 2022		As of the beginning of 2022		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Fixed assets	33,797,738,695.30	40.09%	35,653,492,676.15	43.02%	-2.93%	Mainly due to the relocation, upgrade and transformation of Wuhan Chenming's equipment being included to construction in progress during the reporting period, and the impact of provision for depreciation during the reporting period.
Short-term borrowings	36,385,048,295.02	43.16%	33,523,025,186.22	40.45%	2.71%	Mainly due to the increase in the size of short-term debts as at the end of the reporting period.
Non-current liabilities due within one year	4,673,505,241.86	5.54%	6,601,311,227.98	7.97%	-2.43%	Mainly due to the Company's repayment of medium-term notes and bonds payable due within one year during the reporting period.
Long-term borrowings	3,982,236,251.08	4.72%	5,276,340,154.98	6.37%	-1.65%	Mainly due to the Company's reduction in loan size during the reporting period.
Long-term payables	3,160,771,126.31	3.75%	2,358,901,022.99	2.85%	0.90%	Mainly due to an increase in the Company's financing for certain equipment during the reporting period.

A higher proportion of overseas assets

Applicable Not applicable

IV Management Discussion and Analysis

VI. Analysis of assets and liabilities (Continued)

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Purchases during the period	Disposal during the period	Other changes	Closing balance
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	110,886,182.88	-36,177,738.00	-120,976,372.27					74,708,444.88
2. Other non-current financial asset	519,927,003.25	5,350,000.00	62,860,000.00		263,000,000.00	1,526,241.63		786,750,761.62
3. Consumable biological assets measured at fair value	1,519,305,850.77	9,924,233.72	29,984,996.65		41,007,081.77	73,629,347.42		1,496,607,818.84
Total	2,150,119,036.90	-20,903,504.28	-58,116,372.27		304,007,081.77	75,155,589.05		2,358,067,025.34

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

Yes No

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

Unit: RMB

Item	Carrying amount as at the end of the period	Reasons for such restriction
Monetary funds	11,840,974,836.57	As deposits for bank acceptance bills, letter of credit, letter of guarantee, loans, deposit reserves and interest receivable
Fixed assets	10,063,641,052.69	As collateral for bank borrowings and long-term payables
Investment properties	4,895,514,630.65	As collateral for bank borrowings
Intangible assets	1,033,897,418.27	As collateral for bank borrowings and long-term payables
Accounts receivable	100,000,000.00	As collateral for borrowings
Accounts receivable financing/bills receivable	8,497,931.30	As collateral for obtaining letters of credit
Total	27,942,525,869.48	

IV Management Discussion and Analysis

VII. Analysis of investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
3,362,620,040.00	1,707,210,000.00	96.67%

2. Material equity investments during the reporting period

Applicable Not applicable

Unit: RMB

Name of investee	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the period	Involvement in lawsuit	Date of disclosure	Disclosure index
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Investment using self-owned funds, enterprise management, and enterprise management consulting	Newly established	2,360,000,000.00	49.57%	Self-owned funds and contribution of the creditor's rights of the financial leasing business	Shouguang Jintou Asset Management Co., Ltd., Shouguang Xianglin Enterprise Management Co., Ltd. and Shandong Jinming New Materials Co., Ltd.	Long-term	Equity investment	Completed	N/A	-2,699.92	No	22 November 2022	http://www.cninfo.com.cn
Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership)	Equity investment, investment management and asset management through private equity funds	Newly established	263,000,000.00	50%	Self-owned funds	BOCOM Financial Assets Investment Co., Ltd. and BOCCM Capital Management Co., Ltd.	7 years	Equity investment	Completed	N/A	1,911,813.60	No	29 July 2022	http://www.cninfo.com.cn
Shanxi Fuyin Industrial Trading Co., Ltd.	Sales of agricultural and sideline products, sales of chemical products, sales of metal materials, etc.	Acquisition	368,000,000.00	100%	Self-owned funds	Subsidiary	Long-term	Trading	Completed	N/A	0.00	No	8 December 2022	http://www.cninfo.com.cn
Chongmin Culture Development (Shanghai) Co., Ltd.	Real estate development and operation, and property services	Acquisition		100%	Self-owned funds	Subsidiary	Long-term	Property operation	Completed	N/A	0.00	No	8 December 2022	http://www.cninfo.com.cn
Shouguang Meichen Energy Technology Co., Ltd.	Research and development of power saving technology, sales of paper products	Newly established	361,620,040.00	100%	Investment with self-owned equipment	Subsidiary	Long-term	Electricity and steam generation	Completed	N/A	-102,335.93	No	N/A	N/A
Jiangxi Chenming Tea Co., Ltd.	Internet sales of food, general sales of food	Newly established	10,000,000.00	100%	Self-owned funds	Subsidiary	Long-term	Tea plantation and sales	Completed	N/A	-1,975,450.93	No	N/A	N/A
Total	-	-	3,362,620,040.00	-	-	-	-	-	-	-	168,673.18	-	-	-

IV Management Discussion and Analysis

VII. Analysis of investments (Continued)

3. Material non-equity investments during the reporting period

Applicable Not applicable

4. Financial asset investment

(1) Security investments

Applicable Not applicable

Unit: RMB

Type of security	Stock code	Abbreviation of stock name	Initial investment cost	Accounting measurement model	Book value at the beginning of the reporting period	Profit or loss from changes in fair value in the current period	Accumulated changes in fair value included in equity	Purchased amount in the current period	Sold amount in the current period	Profit or loss during the reporting period	Book value at the end of the reporting period	Classification in account	Source of fund
Domestic and foreign shares	09668	China Bohai Bank	195,684,817.15	Measured at fair value	110,886,182.88	-36,177,738.00	-120,976,372.27	0.00	0.00	-36,177,738.00	74,708,444.88	Held-for-trading financial assets	Self-owned funds
Total			195,684,817.15	—	110,886,182.88	-36,177,738.00	-120,976,372.27	0.00	0.00	-36,177,738.00	74,708,444.88	—	—

Disclosure date of announcement in relation to the consideration and approval of securities investments by the Board

20 June 2020

Disclosure date of announcement in relation to the consideration and approval of securities investments by the shareholders' general meeting (if any)

Not applicable

(2) Derivatives investments

Applicable Not applicable

The Company did not have any derivative investments during the reporting period.

5. Use of proceeds

Applicable Not applicable

The Company did not use any proceeds during the reporting period.

IV Management Discussion and Analysis

VIII. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

Counterparty(ies)	Asset disposed	Disposal date	Transaction consideration (RMB'0,000)	Net profit contribution to the Company from the beginning of the period up to the disposal date (RMB'0,000)	Effect of disposal on the Company	Net profit contribution to the Company on asset disposal as a percentage of total net profit	Pricing basis of disposal of assets	Related party transaction or not	Relationship with counterparty(ies) (applicable to related party transactions)	Relevant asset title fully transferred or not	Relevant debt fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Shouguang Land Reserve Centre	Land and plant of Shandong Chenming No. 1 Factory	18 December 2022	16,350.91	-253.14	Disposal of assets did not affect the normal operation of the Company. Meanwhile, the realisation of idle assets was able to replenish the liquidity.	38.47%	Market price	No	N/A	No	Yes	Yes	N/A	N/A

2. Disposal of material equity interest

Applicable Not applicable

IV Management Discussion and Analysis

IX. Analysis of major subsidiaries and investees

√ Applicable □ Not applicable

Major subsidiary and investees accounting for over 10% of the net profit of the Company

Unit: RMB

Name of company	Type of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of duplex press paper, electrostatic paper, and white cardboard	6,713,808,892.00	25,386,729,557.96	8,809,784,591.78	12,333,411,837.39	106,223,344.21	162,214,497.02
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper, culture paper, household paper and chemical pulp	4,801,045,519.00	15,789,342,178.96	8,490,192,588.62	8,877,750,999.39	406,927,308.71	384,015,682.06
Huanggang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of chemical pulp	3,245,000,000.00	8,439,240,135.43	3,556,852,689.97	4,717,482,595.22	271,191,525.79	271,059,517.61

IV Management Discussion and Analysis

IX. Analysis of major subsidiaries and investees (Continued)

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Name of company	Methods to acquire and dispose of subsidiaries during the reporting period	Impact on overall production and operation and results
Jiangxi Chenming Tea Co., Ltd.	Newly established	Net profit decreased by RMB1.98 million.
Shouguang Meichen Energy Technology Co., Ltd.	Newly established	Net profit decreased by RMB100,000.
Shanxi Fuyin Industrial Trading Co., Ltd.	Acquisition	No effect.
Chongmin Culture Development (Shanghai) Co., Ltd.	Acquisition	No effect.
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	Deregistered	Net profit increased by RMB6,800.

Particulars of major subsidiaries and investees

1. During the reporting period, benefiting from their cost advantages brought about by the pulp-paper integration, as well as the substantial increase in the export volume of their major products, Zhanjiang Chenming and Shouguang Meilun enjoyed a relatively strong profitability.
2. During the reporting period, due to the high price of wood pulp, Huanggang Chenming's profit from wood pulp sales increased.

IV Management Discussion and Analysis

X. Structured entities controlled by the Company

Applicable Not applicable

XI. Outlook on the future development of the Company

(i) Overview and trend of the industry

The paper making industry is closely related to national economic security, and the consumption level of paper and paper board is an important indicator to measure the economy and civilisation of a country. Since the reform and opening up, with the sustained and rapid development of the national economy, China's papermaking industry has gradually begun to transform from extensive growth to intensive growth. Driven by the tightening of environmental protection policies and other factors, the papermaking industry's production capacity and market concentration have been continuously improved, and the industry pattern becomes excellent, but there is still much scope for improvement. In 2022, due to factors such as a sharp increase in upstream production costs and the sluggish demand in the downstream market, the overall profitability of the papermaking industry declined, and the number of loss-making papermaking enterprises above designated size increased. Repeated market tests accelerated the clearing up of low-end enterprises, and likely promoted the industry structure improvement.

During the reporting period, the "waste ban" continued to be implemented, and the transformation of the raw material structure of the papermaking industry accelerated. The "plastic limit" achievements continued to be consolidated, which promoted the development of high-end and light-weighted products in the product structure. The "double carbon" policy was fully implemented, and the green development concept had driven the industry to improve its environmental protection level. The decrease in the supply of overseas paper products brought new "overseas expansion" opportunities for Chinese companies, and the leading papermaking companies accelerated their overseas layout. The weak domestic market demand promoted resources optimisation and reorganisation, and the industry pattern had been continuously optimised. International pulp prices remained high, and domestic leading companies accelerated the whole industrial chain layout, while domestic paper prices gradually bottomed out, and large companies had announced price rises, marking an imminent recovery of industry prosperity.

In the long run, according to the national "double circulation" strategy and the goal of China's GDP per capita heading for the level of a medium-level developed country by 2035, China's paper market demand in the future will still grow greatly, indicating potential market demand. With the improvement of people's pursuit of quality of life, high-end, environmentally friendly, lightweight and customised products will be more popular, and it is imperative to optimise and upgrade the product structure. As both product functions and supporting services are important, upgrading product services will become an important channel to increase products' added value. Large-scale pulp and paper companies have accelerated industry integration through M&A and joint venture activity, which further improves industry concentration. The industry has continuously improved the resource utilisation rate, and transformed towards the use of clean, renewable, high energy density and low emission resources. It is inevitable for large companies to enhance their comprehensive competitiveness through the whole industrial chain development.

IV Management Discussion and Analysis

XI. Outlook on the future development of the Company (*Continued*)

(ii) Development strategy of the Company

The Company always takes “revitalising the Chinese papermaking industry” as its mission and adheres to the general keynote of a green, low-carbon, recycling and sustainable development with scientific development as main theme. Centring on efficiency enhancement, the Company focuses on pulp production and papermaking as major operation. The Company will adhere to the strategic layout of pulp and paper integration, vigorously implement the innovation-driven development strategy, and accelerate the growth driver replacement. With transformation and upgrade guided by green ecology, the Company will fully exploit its advantages in full industry chain. The Company will commit itself to implementing the green development strategy. Leveraging technological advancement, advanced equipment and strict management, it will properly carry out clean production, develop a circular economy, and build a resource-saving and environment-friendly enterprise benchmark, so that it can seek development while protecting the environment, and improve the level of environmental protection in scientific development, achieving both economic and environmental benefits. Adhering to the strategy of strengthening the enterprise with talents, the Company will improve the talent training, introduction, use and incentive mechanism, and actively cultivate high-end, compound, innovative and international talent teams, so as to promote the Company’s high-quality development, consolidate its position as a leading Chinese papermaking enterprise, and develop Chenming as a RMB100 billion enterprise with sustainable operation for a century, striving to become the most globally competitive world-class papermaking enterprise!

(iii) Operation plans for 2023

2023 is the first year to fully implement the spirit of the 20th National Congress of the China Communist Party. The report to the 20th National Congress put forward that we must continue to focus on the real economy in pursuing economic growth, which is in line with the Company’s direction to focus on its principal activities and strengthen industrial production. In a new year, the Company will continue to conscientiously implement the management policy of “people-orientation, refined management, problem-orientation, and practical work” in the complicated and changing industry and market landscape. It will pay close attention to corporate operation management, strengthen financial risk management and control, comprehensively realise potential and increase efficiency, and unswervingly promote the Company’s high-quality development.

1. Adhere to profitability priority and improve sales

In 2023, the market situation remains complicated and ever-changing. Following the Group’s strategic deployment, the sales companies will be market-oriented to seize price rise opportunities, scientifically and rationally allocate various resources, strengthen channel management, expand to overseas markets, and further improve the sales management level. The details are as follows: According to the market capacity and customer distribution, we will integrate inefficient markets to enhance organisational efficiency; strengthen profitability management, actively seek sources of growth, adjust product structure, and focus on the promotion and sales growth of key products, especially cigarette cardboard, liquid package cardboard and food cardboard. We will strengthen channel construction, further develop direct sales customers, develop high-quality distributors, optimise overseas layout, set up management areas and branches, and further expand the market scope. We will make full use of the Company’s industrial layout advantages, promote the close-range market distribution of high-profitability products, and improve service efficiency and product competitiveness.

IV Management Discussion and Analysis

XI. Outlook on the future development of the Company (*Continued*)

(iii) Operation plans for 2023 (*Continued*)

2. Strengthen financing control and realise stable operation.

In 2023, the Company will focus on profitability, refine fund management, strictly control financial expenses, take various measures to reduce the gearing ratio, and optimise the capital structure. The details are as follows: We will rationally plan long, medium and short-term financing, strengthen cooperation with large state-owned banks in medium and long-term low-cost financing, further broaden financing channels for medium and long-term equipment collection and improve the asset utilisation rate. We will continue to promote the market-oriented exit of strategic investors of Shouguang Meilun and Zhanjiang Chenming, effectively replace minority equity financing of subsidiaries with equity financing of the Company, and reduce the debt repayment pressure. We will strengthen asset management, continuously reduce the size of the financial leasing business, dispose of inefficient assets and idle assets, improve asset management level, and ensure the Company's stable operation.

3. Strictly control production and promote production and efficiency

In 2023, the Company will focus on producing marketable products, promote the continuous increase of high-profitability products, ensure the stable operation of pulp and paper production lines, advance the construction of pulp and paper projects, and keep improving the profitability indicators and operation quality of production systems. The details are as follows. According to the changes of raw material prices, we will timely carry out domestic raw materials substitution and process optimisation adjustment to optimise product structure. We will strictly control the process, strictly implement the paper machine standard parameters, stabilise the operation of papermaking machines and pulp production lines, and ensure the pulp and paper production and efficiency improvement. We will build a safety and quality monitoring network, strictly supervise safety and quality, implement the safety production responsibility system, and ensure safety production. We will strengthen equipment management, strictly implement the control and implementation of equipment information system, and realise machine-controlled early warning management for equipment spot inspection, periodic maintenance and equipment overhaul. We will implement project management, and focus on pushing Huanggang phase II project, Zhanjiang Chenming special paper project with annual production capacity of 180,000 tonnes, and Shouguang Headquarters softwood bleaching chemical pulp project with annual production capacity of 300,000 tonnes forward.

4. Strengthen cost control and improve supply chain management level

In 2023, the Company will further strengthen supplier management, upgrade the level of cooperation organisations, broaden procurement channels, fully exploit market potential, strictly control procurement costs, and comprehensively improve supply chain management level. The details are as follows: We will strengthen the construction of raw material sourcing channels, cooperate with high-quality suppliers in Australia, Thailand and Vietnam and other countries, and set up offices to ensure a stable supply of high-quality raw materials. We will conduct in-depth study and analysis of market rules, seize the timing for procurement, determine reasonable procurement quantity, and improve procurement efficiency. We will introduce new processes and technologies, optimise the use of raw materials, deepen domestic product substitution, and exploit the cost potential. We will strengthen cooperation with strategic cooperation customers, strive for financial support to the maximum extent, and reduce financial costs. We will develop innovative ideas, further promote consignment mode, reduce capital occupation, and achieve efficiency improvement in supply chain management.

IV Management Discussion and Analysis

XI. Outlook on the future development of the Company *(Continued)*

(iii) Operation plans for 2023 *(Continued)*

5. Strengthen basic management to help high quality development

In 2023, the Company will continue to pay close attention to the basic management, focus on operating profit management, study and implement the profitability-enhancing measures in view of the key and weak management links. The details are as follows: We will further consolidate team building, optimise staffing, strengthen employee training, improve performance appraisal management methods, and proceed with the transformation and upgrade to human capital management from human resource management to help continuous human capital adding value. We will strengthen the internal audit supervision management, improve internal review coverage, check and correct mistakes, strictly investigate and deal with breaches of regulations and disciplines, and improve the supervision and rectification implementation rate. We will further strengthen the system construction, timely rectify the problems in the operation and management process, formulate and improve the excellent management system, ensure that all key issues are well-founded and effectively implemented, improve the management level, and realise high-quality development.

(iv) Future capital requirements and source of funds

Future capital requirements of the Company will mainly focus on: the continuous investment in existing production facilities due to technology upgrade or production expansion; and capital requirement for business expansion and daily operation. The phase II whole industry chain project of Huanggang Chenming, the softwood bleached chemical pulp project with annual production capacity of 300,000 tonnes and the special paper project with annual production capacity of 180,000 tonnes of Zhanjiang Chenming planned and constructed by the Company will be partly funded by self-owned funds of the Company, as well as government guide funds, policy support funds and syndicated loans.

While focusing on the development of its main business of pulp and paper making and improving its operating performance, the Company will expand its financing channels and optimise financing structure through well planned long and short-term bond issue, introduction of third-party strategic investors, refinancing and other means, thus providing stable financial support for the operation and development of the Company.

(v) Risk factors likely to be faced and measures to be taken

1. Macroeconomic and policy risk

Paper making industry is a basic raw materials industry, thus is being supported by national industry policies. Over the years, relevant competent departments issued a series of relevant policies and regulations, including the Policy on the Development of Papermaking Industry, aiming to improve industry structure, enhance product technology standard, energy saving and emission reduction, as well as eliminate outdated production capacity. With the continuous economic development, the policies on the papermaking industry may further adjust in the future. In addition, the fiscal and financial policies, bank interest rate, import and export policy and other policies may be adjusted in the future. All the above industrial policies and related policy adjustments will have an impact on the Company's operation and development.

Focusing on its principal operation on pulp production and papermaking, the Company will strive to its innovation-driven strategy. Centring on improving quality and efficiency, the Company will comprehensively optimise industrial structure and regional layout, establish coordinated, efficient industry system, and respond to challenges arose by leveraging on its cost advantages, thus realising steady growth in operating results. At the same time, the Company will strengthen the financial information system construction, regulate financial management, expand financing channels, lower capital cost and strengthen its macroeconomic and policy risk aversion capability.

IV Management Discussion and Analysis

XI. Outlook on the future development of the Company *(Continued)*

(v) Risk factors likely to be faced and measures to be taken *(Continued)*

2. Environmental protection risk

In recent years, policies such as the Announcement on Adjusting the Catalogue of Prohibited Commodities in Processing Trade, The 14th Five-Year (2021-2025) Plan for National Economic and Social Development of the People's Republic of China and the Outline of Long-term Goals for 2035, the Opinions on Accelerating the High-Quality Development of the Manufacturing Services Industry and the Guiding Opinions on Accelerating the Establishment and Improvement of a Green, Low-Carbon and Cyclical Economic System have been issued one after another, with increasingly stringent environmental protection requirements. Such higher national environmental protection standards will further increase the investment in pollution control by enterprises in the industry and increase the operating costs of the Company in the short term.

The Company always adheres to the development idea of “placing green development and environmental protection as its priority” and conducts clean production. The Company widely adopts new technologies for energy saving and emission reduction and strives to achieve its waste emission target. At present, the Company adopts the world's most advanced “ultrafiltration membrane+reverse osmosis membrane” technology to complete the reclaimed water recycling membrane treatment project. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water of 170,000 cubic metres every day. At the same time, the Company actively explores the comprehensive utilisation of innovative resources and industrial recycling development models, and built three major circular economy ecological chains of “resources-products-renewable resources”.

3. Risk of price fluctuation of raw materials

Wood pulp and wood chips are the major raw materials of the industry. If the prices of wood pulp and wood chips fluctuate sharply in the future, they will bring upward pressure on the production costs of enterprises, which will have a certain impact on the normal production and operation of enterprises in the industry.

The Company strives to implement the development strategy of pulp and paper integration. At present, its production capacity of wood pulp has reached 4.3 million tonnes, and it has cultivated a strong self-sufficiency of wood pulp. At the same time, it has established a more comprehensive supply chain management mechanism, practiced source procurement, carried out long-term cooperation, closely followed the price trends of the raw materials market, and strove to improve its forecasting ability, in order to minimise the impact of fluctuations in raw material prices on the Company.

IV Management Discussion and Analysis

XI. Outlook on the future development of the Company (*Continued*)

(v) Risk factors likely to be faced and measures to be taken (*Continued*)

4. Risk of intensifying market competition

As a strategic and fundamental industry closely related to the national economy, the papermaking industry has made significant progress along with the steady development of the Chinese economy. Although the papermaking industry has accelerated the elimination of outdated production capacity after several rounds of environmental protection policies, the industry structure has been optimised. However, there remains the phenomena of a large number of enterprises, excess and scattered production capacity, a large number of mid – and low-end products, and product homogeneity. The market competition is fierce.

The Company will focus on improving product quality and supporting services, improve process technology, strengthen research and development capabilities, and enhance scientific and technological added value. Being market-oriented, it will produce products that meet market demand and enhance core competitiveness, with a view to ensuring a stable and sustainable improvement in its operating results.

5. Risk of the financial leasing business

The Company may suffer from loss if the lessees of its financial leasing business cannot make full rental payment on time due to any reason and there are abuses on equipment or any other short-term behaviour. Although the risk of such rental being unrecoverable is minimal, the Company will also make bad debt provision as required under its accounting policy. If such amounts cannot be recovered on time, the Company may be exposed to risk of bad debts.

Chenming Leasing has comprehensive risk prevention and control measures for the financial leasing business, with strong risk resistance and low risk of default. At present, the Company focuses on the development of its principal activities, i.e. pulp production and paper making, and continues to reduce the size of the financial leasing business. As at the end of the reporting period, the balance of financial leases of Chenming Leasing decreased to RMB5.79 billion.

IV Management Discussion and Analysis

XII. Reception of research investigations, communications and interviews during the reporting period

√ Applicable □ Not applicable

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
2 April 2022	Panorama • Interactive Platform for Investors Relationship	Others	Individuals and institutions	Investors participating in the 2021 annual results briefing of the Company	Company and industry overview, the Company's 2021 operating results and future prospects, project progress, etc.	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
4 May 2022	Meeting room of the Company	Conference call	Institutions	Guosheng Securities, JIC Trust, Donghai Funds, etc.	Company's operating conditions, business conditions, industry outlook, etc. for the first quarter of 2022	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
5 September 2022	Meeting room of the Company	Conference call	Institutions	Guosheng Securities, Ping An Asset Management, Horizon Asset, GTS Fund	Company's operating conditions, production capacity, project progress, etc. for the first half of 2022	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
16 November 2022	Panorama • Interactive Platform for Investors Relationship	Others	Individuals and institutions	Investors who participated in the 2022 Investor Online Collective Reception Day of Listed Companies in Shandong	Corporate governance, development strategy, operating status, etc.	Panorama "Interactive Platform for Investors Relationship" (http://ir.p5w.net)

V Directors' Report

The Directors (the “Directors”) of the Company hereby present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2022.

I. Principal activities

Please refer to “II. Principal operations of the Company during the Reporting Period” and “IV. Analysis of principal operations” under section IV “Management Discussion and Analysis” for details of principal activities of the Company.

II. Results and profit distribution

Please refer to section XII “Financial Report” for the results of the Group for the year ended 31 December 2022.

III. Dividends

During the reporting period, as the domestic market demand was insufficient due to the economic environment, the sales volume of machine-made paper decreased year on year. At the same time, due to the rising prices of wood chips, chemicals, raw coal and other raw materials as well as energy prices, the Company faced great cost pressure. The net profit attributable to shareholders of the Company for the reporting period decreased as compared with the corresponding period of the prior year. Considering factors such as the current macroeconomic environment and the Company’s strategic planning, the Board proposed not to pay cash dividend, issue bonus shares and increase share capital from reserves for 2022 to further reduce its liability size, optimise its capital structure, enhance the Company’s financial resilience, and satisfy the capital needs for, among other things, day-to-day production and operation, and project construction, thereby enhancing risk resistance, securing the sustainable and steady development of the pulp production and paper making business, the principal business of the Company, and better safeguarding the long-term interests of all shareholders, subject to approval of shareholders at the forthcoming annual general meeting of the Company held on 12 May 2023 (the “AGM”).

V Directors' Report

IV. Closure of register of members

The register of members of the Company will be closed from 9 May 2023 (Tuesday) to 12 May 2023 (Friday) (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting to be held on 12 May 2023 (Friday), all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 8 May 2023 (Monday).

V. Five-year financial summary

Please refer to "IX. Five-year financial summary under paragraph 19 of appendix 16 of the Hong Kong Listing Rules" under section II "Company Profile and Key Financial Indicators" for the financial summary of the Company for the past five financial years.

VI. Donations

During the year, the Company donated RMB805,000.00 (2021: RMB1,142,550.00) to non-profit making organisations.

VII. Subsidiaries

Please refer to "IX. Analysis of major subsidiaries and investees" under section IV "Management Discussion and Analysis" and "XVII. Matters of significant of subsidiaries of the Company" under section VIII "Material Matters" for the details of acquisition and disposal of subsidiaries by the Company during the year.

VIII. Property, plant and equipment

Please refer to "II. Financial Statements 1. Consolidated Balance Sheet" under section XII "Financial Report" for the details of changes in property, plant and equipment of the Group for the year ended 31 December 2022.

IX. Share capital

Please refer to "I. Changes in shares" under section IX "Changes in Share Capital and Shareholders" for details of changes in share capital of the Company for the year ended 31 December 2022.

X. Pre-emptive rights

In accordance with the Articles of Association and the PRC laws, there are no rules requiring the Company to grant existing shareholders pre-emptive rights on newly issued shares of the Company in proportion to their shareholdings.

XI. Transfer into reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Company Law. As at 31 December 2022, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB9,857,716,037.54 (2021: RMB9,760,083,766.83) as set out in "II. Financial Statements 1. Consolidated Balance Sheet" under section XII "Financial Report".

V Directors' Report

XII. Directors

As at 31 December 2022, the Directors of the Company were:

1. Executive Directors

Mr. Chen Hongguo
Mr. Hu Changqing
Mr. Li Xingchun
Mr. Li Feng
Mr. Li Weixian

2. Non-executive Directors

Mr. Han Tingde
Mr. Li Chuanxuan

3. Independent Non-executive Directors

Ms. Yin Meiqun
Mr. Yang Biao
Mr. Sun Jianfei
Mr. Li Zhihui

According to the Articles of Association of the Company, all Directors, including non-executive Directors, have been elected at the general meetings with a term of three years from June 2022 to June 2025. They may be re-elected for another term upon expiry of tenure. The term of office of independent non-executive Directors is the same as that of other Directors. They may be re-elected for consecutive terms, but the consecutive terms shall not be more than six years.

XIII. Directors' and Supervisors' service contracts

All Directors and Supervisors have entered into service contracts with the Company for a term from 15 June 2022 to 15 June 2025.

None of the Directors and Supervisors who have offered themselves for re-election at the forthcoming AGM have entered into any service contract with the Company or any of its subsidiaries which cannot be terminated by the Group within one year without payment of compensation other than statutory compensation.

V Directors' Report

XIV. Directors and Senior Management's remuneration and the five highest paid individuals

Details of Directors and the Senior Management's remuneration and the five highest paid individuals of the Company or/and its subsidiaries are set out in "V. Directors, Supervisors and Senior Management" in section VI "Corporate Governance" and "XII. Related parties and related party transactions" in section XII "Financial Report".

In 2022, the Company had 24 Senior Management members in total, which included Directors, Supervisors and the Senior Management. The remuneration of the Senior Management falls within the following ranges:

Range of remuneration (RMB)	Number
4.8 million to 5.2 million	1
4.0 million to 4.8 million	0
3.6 million to 4.0 million	0
3.2 million to 3.6 million	1
2.8 million to 3.2 million	0
2.4 million to 2.8 million	1
2.0 million to 2.4 million	1
1.6 million to 2.0 million	5
1.2 million to 1.6 million	1
0.8 million to 1.2 million	0
Below 0.8 million	14

XV. Independent non-executive Directors

The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to Rule 3.13 of the Hong Kong Listing Rules and considered all of the independent non-executive Directors to be independent during the year.

V Directors' Report

XVI. Securities interests held by Directors, Supervisors and chief executives

As at 31 December 2022, interests of the Company or its associated corporations (within the meaning of Part XV of SFO) held by each of the Directors, Supervisors and Chief Executives of the Company under section 352 of the SFO are set out as follows:

The Company

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 1)	Chairman and general manager	31,080,044
Hu Changqing	Executive Director and vice chairman	3,792,857
Li Xingchun	Executive Director and vice chairman	5,000,000
Li Feng	Executive Director and deputy general manager	3,156,027
Li Weixian	Executive Director and deputy general manager	1,562,100
Han Tingde	Non-executive Director	–
Li Chuanxuan	Non-executive Director	–
Sun Jianfei	Independent non-executive Director	–
Yin Meiqun	Independent non-executive Director	–
Yang Biao	Independent non-executive Director	–
Li Zhihui	Independent non-executive Director	–
Supervisors		
Li Kang	Supervisor	149,300
Pan Ailing	Supervisor	–
Zhang Hong	Supervisor	–
Sang Ailing	Supervisor	–
Qiu Lanju	Supervisor	–

Associated corporations

Name	Position	Name of associated corporations	Number of shares held at the beginning of the reporting period (shares)	Change during the period (+/-)	Number of shares held at the end of the reporting period (shares)
Chen Hongguo	Chairman	Shouguang Henglian Enterprise Investment Co. Ltd. (Note 2)	231,000,000	–	231,000,000

Note 1: Save for the 31,080,044 A shares held personally, Chen Hongguo is deemed to be interested in the 3,861,322 A shares held by his spouse, Li Xueqin.

Note 2: Chen Hongguo and his spouse, Li Xueqin, collectively hold 76.79% equity interests in Shouguang Henglian Enterprise Investment Co. Ltd., (hereinafter referred to as "Shouguang Henglian"). As a result, Shouguang Henglian is deemed to be controlled by Chen Hongguo. Accordingly, the 231,000,000 shares in Chenming Holdings (approximately 18.65% of the total share capital of Chenming Holdings) held by Shouguang Henglian are also deemed to be held by Chen Hongguo.

V Directors' Report

XVI. Securities interests held by Directors, Supervisors and chief executives (*Continued*)

Save as disclosed above, as at 31 December 2022, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (hereinafter referred to as the "Hong Kong Listing Rules").

As at 31 December 2022, none of the Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 held or exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

XVII. Interests and short position of substantial shareholders in shares and underlying shares

As at 31 December 2022, the following shareholders (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as shown in the share register maintained by the Company in accordance with Section 336 of the SFO (Chapter 571 of the Laws of Hong Kong):

Name	Number of shares held (shares)	Approximate shareholding as a percentage of	
		Total share capital (%)	Class of shares (%)
Chenming Holdings Co., Ltd.	457,322,919 A shares (L)	15.35	26.21
Chenming Holdings (Hong Kong) Limited	210,717,563 B shares (L)	7.07	29.83
Chenming Holdings (Hong Kong) Limited	153,414,000 H shares (L)	5.15	29.04

(L) – Long position (S) – Short position (P) – Lending pool

Save as disclosed above, as at 31 December 2022, no other person had interests or short positions in the Company's shares or underlying shares as recorded in the register maintained under section 336 of the SFO.

XVIII. Relationship with employees, customers and suppliers

Please refer to "IX. Personnel of the Company" under section VI "Corporate Governance", and "2. (8) Sales to major customers and major suppliers" of "IV. Analysis of principal operations" under section IV "Management Discussion and Analysis" for details of the relationship between the Company and its employees, customers and suppliers.

XIX. Directors' interests in material contracts and indemnity provision

None of the Company or any of its subsidiaries entered into any material contracts, in which Directors or Supervisors had significant interests (either directly or indirectly), that subsisted at the end of the financial year or at any time during the reporting period. The Company did not have any indemnity provision in favour of any Director and Supervisor.

V Directors' Report

XX. Interests in competing business

None of the Directors or controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Company and any of its subsidiaries.

XXI. Directors' rights to purchase shares or debentures

As considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company held on 15 May 2020, the Company implemented the 2020 restricted A share incentive scheme. As considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company held on 29 May 2020, an aggregate of 79.6 million restricted A shares were granted to 111 participants. In particular, Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun, Mr. Li Feng and Mr. Li Weixian, all being Directors, were granted 20 million shares, 5 million shares, 5 million shares, 3 million shares and 2 million shares, respectively.

Save for the above, neither was the Company nor any of its subsidiaries a party to any arrangements to enable any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

XXII. Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2022.

XXIII. Major risk factors

Please refer to “(V) Risk factors likely to be faced and the measures to be taken” of “XI. Outlook on the future development of the Company” under section IV “Management Discussion and Analysis” for details of major risk factors of the Company.

XXIV. Material matters

Please refer to section VIII “Material Matters” for details of material matters of the Company.

XXV. Future development

Please refer to (I) Overview and trends of the industry, (II) Development strategy of the Company, (III) Operating plan for 2023 and (IV) Future capital requirements and source of funds of “XI. Outlook on the future development of the Company” under section IV “Management Discussion and Analysis” for details of future development of the Company.

XXVI. Environment, social and governance report and social responsibility

Please refer to section VII “Environment and social responsibility” for details of fulfilment of social responsibility. The Company will publish the environment, social and governance report as required by the Hong Kong Listing Rules on the website of CNINFO and the website of the Hong Kong Stock Exchange on the same date as the 2022 annual report.

V Directors' Report

XXVII. Purchase, sale and redemption of shares

1. Repurchase and cancellation of some restricted shares granted under the 2020 A-share Restricted Stock Incentive Scheme

On July 18, 2022, the Company convened the second extraordinary meeting of the tenth session of the Board and the first extraordinary meeting of the tenth session of the Supervisory Committee, at which the Company considered and approved the Resolution on the Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares. In view of the fact that 15 of the proposed participants of the Company's 2020 Restricted A Share Incentive Scheme failed to comply with the unlocking conditions of the 2020 Restricted A Share Incentive Scheme (Draft) due to, among others, resignation, change of duty and removal from office. According to the authorisation granted at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company, the Board will repurchase and cancel certain restricted shares granted to the persons mentioned above but not yet unlocked, with a repurchase of 4,466,000 shares at a repurchase price of RMB2.5184172 per share. Calculated based on the repurchase price plus bank loan interest for the same period, the total amount of repurchase payment was RMB12.3669 million. On 18 October 2022, the Company completed the repurchase and cancellation procedures of the 4,466,000 restricted A shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Save for the above, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the reporting period.

XXVIII. Sufficiency of public float

During the reporting period, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained a sufficient prescribed amount of public float as required under the Hong Kong Listing Rules.

XXIX. Review of the Audit Committee

The audited consolidated financial statements of the Company for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company.

XXX. Gearing ratio

As at 31 December 2022, the Company's gearing ratio (including minority interest) was 60.88%, representing a decrease of 0.67 percentage point from 61.55% for 2021.

The ratio was calculated as: total borrowings/total assets (whereas total borrowings represent borrowings due within one year, borrowings due after one year, short-term commercial paper and medium and long-term notes and others).

V Directors' Report

XXXI. Going concern basis

Established in 1958, the Company is a leading paper making enterprise in China and one of the top 500 Chinese enterprises. It is also a modern large-scale comprehensive conglomerate mainly engaged in pulp production and paper making. It has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and others, which deliver annual pulp and paper production capacity of over 11,000,000 tonnes. As a large integrated pulp and paper enterprise in China that achieves a complete balance of pulp production and paper making, the Company have maintained a leading position among its industry peers for over 20 consecutive years in terms of its main indicators of corporate economic efficiency.

The Company has good sustainable profitability. In 2022, the Company realised revenue of RMB32,004 million, net profit of RMB317 million and net cash inflows from operating activities of RMB36,219 million.

In compiling the accounts for the year ended 31 December 2022, the Directors have chosen and thoroughly applied the appropriate accounting policies with due and reasonable judgement and estimates having been made, and prepared the accounts on a going concern basis. The auditor of the Company has prepared the 2022 annual financial report on a going concern basis, and has issued a standard unqualified audit opinion (see Financial Report section).

Therefore, the Board believes the Company has the ability to continue as a going concern.

XXXII. Connected transactions

On 30 March 2022, each of Qingdao Chenming Nonghai Financial Leasing Co., Ltd. ("Qingdao Chenming") and Chenming Leasing, both are the indirect wholly-owned subsidiaries of the Company, entered into a loan transfer agreement with Kunpeng Asset Management Co., Ltd. ("Kunpeng Asset"), pursuant to which, each of Qingdao Chenming and Chenming Leasing intended to sell the loans with a total carrying amount of approximately RMB305 million to Kunpeng Asset at a total consideration of RMB304 million.

Chenming Holdings is a connected person of the Company. As Qinghai Chenming Industrial Co., Ltd. is owned as to 67% by Chenming Holdings and Kunpeng Asset is owned as to 51% by the former, Kunpeng Asset is also a connected person of the Company. Accordingly, the transactions under these loan transfer agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Board believes that the disposal of the loans can improve the asset management efficiency of the Company, further reduce the size of the financial leasing business, accelerate the capital recovery of the financial leasing business of the Company, enhance the liquidity of the assets of the Company, and improve the asset-liability structure and operating cash flows, which will in turn provide financial support for the sound business development of the Company and is conducive to promoting the business development of the Company.

For details, please refer to the announcement dated 30 March 2022 of the Company.

Save as disclosed above, for the year ended 31 December 2022, the Group did not enter into any connected transaction required under the Listing Rules of the Stock Exchange. The related party transactions entered into by the Group during the year ended 31 December 2022 are set out in Note XII to the financial statements. Save as disclosed above, these related party transactions do not constitute connected transactions or continuing connected transactions (as defined in the Listing Rules of the Stock Exchange) of the Group.

V Directors' Report

XXXIII. Major investment, acquisition and disposal

During the year ended 31 December 2022, the Group entered into the following major transaction agreements.

1. Entering into capital contribution agreement for the introduction of investors to contribute capital to Zhanjiang Chenming

On 27 June 2022, the Company, CDB Development Fund Co., Ltd., Beijing Chuanfa Investment Management Co., Ltd., Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) and Zhanjiang Chenming entered into a capital contribution agreement, pursuant to which Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) agreed to inject capital in an amount of RMB400,000,000 to Zhanjiang Chenming pursuant to the terms and conditions under the capital contribution agreement.

On 28 July 2022, the Company, BOCOM Financial Assets Investment Co., Ltd. and Zhanjiang Chenming entered into a capital contribution agreement, pursuant to which BOCOM Financial Assets Investment Co., Ltd. agreed to inject capital in a total amount of RMB500,000,000 to Zhanjiang Chenming pursuant to the terms and conditions under the capital contribution agreement. On the same date, the Company, Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership) and Zhanjiang Chenming entered into a capital contribution agreement, pursuant to which Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership) agreed to inject capital in a total amount of RMB500,000,000 to Zhanjiang Chenming pursuant to the terms and conditions of the capital contribution agreement.

For details, please refer to the announcements of the Company dated 27 June 2022 and 28 July 2022.

V Directors' Report

XXXIII. Major investment, acquisition and disposal *(Continued)*

2. Purchase of Assets by issue of consideration shares and cash payment

On 21 November 2022, the Company and Dongxing Securities Investment Co., Ltd. entered into the Agreement on Assets Purchase by Issuance of Shares, pursuant to which the Company conditionally purchased 1.19% equity interest in Shouguang Meilun held by Dongxing Securities Investment Co., Ltd. by the issue of consideration shares. On the same date, the Company, Chenming Investment, a wholly-owned subsidiary of the Company, Chongqing International Trust Inc. and Chenming (Qingdao) Asset Management Co., Ltd. entered into the Agreement on Asset Purchase by Issuance of Shares and Cash Payment, pursuant to which the Company conditionally purchased 44.44% limited partnership share in Chenrong Fund held by Chongqing International Trust Inc., by the issue of consideration shares, and Chenming Investment purchase 0.22% general partnership share in Chenrong Fund held by Chenming (Qingdao) Asset Management Co., Ltd. by cash payment. The shares issued for the asset purchase by the issuance of shares are domestic-listed RMB ordinary shares (A shares) with a par value of RMB1.00 per share. The pricing benchmark date for the asset purchase by the issuance of shares is the announcement date of the first resolution of the Board to consider the transactions. Under amicable negotiations among the parties, the price of the asset purchase by the issuance of shares was set at RMB4.42/share.

The benchmark date for the audit and valuation of the subject assets involved in this transaction is 30 September 2022. As at the end of this reporting period, the audit and valuation work was not completed. The transaction price of the subject assets of the transactions will be based on the results of the valuation report issued by the valuation agency and filed with the state-owned assets supervision and administration institution or its authorised unit, determined through negotiations by the parties to the transactions, and agreed by the parties through signing a supplementary agreement. The final number of the shares to be issued is subject to the number approved by the CSRC. Should there be any distribution of dividend, issue of bonus shares, conversion of capital reserve into share capital of the Company from the pricing benchmark date to the issue date of the issuance, the issue price will be adjusted accordingly in accordance with the relevant rules of Shenzhen Stock Exchange, and the number of shares issued will also be adjusted accordingly.

For details, please refer to the announcement of the Company dated 21 November 2022.

3. Entering into a partnership agreement on the establishment of a limited partnership

On 21 November 2022, Shouguang Jintou Asset Management Co., Ltd. (the general partner), Shouguang Xianglin Enterprise Management Co., Ltd. (a limited partner) and Shandong Jinming Trade Co., Ltd. (a limited partner) entered into a partnership agreement in relation to the establishment of a limited partnership with Shanghai Chenming Financial Leasing Co., Ltd. (a limited partner), a subsidiary of the Company, and Jiangxi Chenming (a limited partner). The name of the limited partnership is Shouguang Jintou Industrial Investment Partnership (Limited Partnership) (tentative name, subject to industrial and commercial registration), and the total capital contribution to be made by all partners is RMB4.761 billion, of which Shouguang Jintou Asset Management Co., Ltd. made cash contribution of RMB1 million, Shouguang Xianglin Enterprise Management Co., Ltd. made cash contribution of RMB1.2 billion, Shandong Jinming Trade Co., Ltd. made cash contribution of RMB1.2 billion, Shanghai Chenming Financial Leasing Co., Ltd. made contribution of RMB1.16 billion with its creditor's rights in accounts receivable arising from the financial leasing business with an appraised value of RMB1.16 billion, and Jiangxi Chenming made cash contribution of RMB1.2 billion.

For details, please refer to the announcement of the Company dated 21 November 2022.

XXXIV. Tax relief

The Company is not aware of any tax relief available to shareholders as a result of holding securities of the Company.

VI Corporate Governance

I. Corporate governance in practice

Taking the actual situation of the Company into account, the Company continuously improved its legal person governance structure, strengthened its internal control system, proactively organised Directors, Supervisors and the Senior Management of the Company to attend the special training sessions of the regulatory departments to enhance their competence, and continuously strengthened its information disclosure in strict compliance with the requirements of the Company Law 《公司法》, the Securities Law 《證券法》, the Code of Corporate Governance for Listed Companies 《上市公司治理準則》, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange 《深圳證券交易所股票上市規則》, the Listing Rules of Hong Kong Stock Exchange and the related requirements as required by the CSRC, thereby further enhancing the standardised operation level of the Company.

As of the end of the reporting period, the actual practice of corporate governance complied with the requirements of the regulatory documents issued by the CSRC regarding the governance of listed companies.

(I) Shareholders and general meeting

The Company regulates the convening, holding and proceedings of shareholder meetings in strict compliance with the requirements of the Rules Governing Shareholders' General Meetings of Listed Companies, the Articles of Association and the Company's Rules of Procedure of the General Meeting of Shareholders, and both on-site voting and online voting are provided as channels to participate in such meetings. Where material matters which affect the interests of minority shareholders are considered, the votes by minority shareholders are counted separately to ensure that the minority shareholders enjoy equal status and all shareholders can exercise their rights in full. During the reporting period, the general meetings convened by the Company were witnessed by lawyers with issue of their legal opinions to effectively safeguard the legitimate rights and interests of the listed company and all shareholders.

(II) Controlling shareholder and the listed company

During the reporting period, the Company remained independent of its controlling shareholder, beneficial controllers and related parties in terms of its business, assets, finance, personnel and organisations, and the Board, the Supervisory Committee and internal departments of the Company operated independently, which complied with the relevant provisions of the CSRC on the independence of listed companies. The controlling shareholder and beneficial controllers strictly regulated their behaviour, and exercised their rights and performed their obligations in accordance with the laws, and there was no appropriation of capital and assets of the Company by the controlling shareholder, beneficial controllers and their related parties.

(III) Directors and the Board

The Board of the Company has a total of 11 Directors, of which 4 are independent Directors. They are professionals with professional knowledge in finance, law, management, etc., ensuring the quality and level of decision-making by the Board. During the reporting period, the Board held a total of 12 meetings, and the convening and holding of Board meetings were in strict compliance with the Articles of Association and the Rules of Procedure of Board Meetings and other relevant provisions. Directors of the Company were able to diligently perform their duties. They attended meetings on time and reviewed each proposal earnestly, which had pivotal impact on decision in corporate governance. Independent Directors performed their duties independently and expressed their independent opinions on material matters, which solidly safeguarded the interests of the Company and the investing public.

The four special committees under the Board of the Company, namely the Strategic Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee, performed their duties normally and provided scientific and professional opinions for the decision-making of the Board during the reporting period.

VI Corporate Governance

I. Corporate governance in practice *(Continued)*

(IV) Supervisors and the Supervisory Committee

The Supervisory Committee of the Company has a total of 5 Supervisors, including 3 shareholder representative Supervisors and 2 employee representative Supervisors. During the reporting period, the Supervisory Committee of the Company held a total of 8 meetings. The Supervisory Committee strictly followed the requirement of relevant laws and regulations including the Company Law, the Articles of Associations and the Rules of Procedure of the Supervisory Committee in fulfilling its duties. In the spirit of being accountable to the shareholders and the Company, the Supervisory Committee independently and effectively exercised its supervision and inspection functions to supervise the Company's operation and management, decision-making procedures, financial position and the duty of care and diligence of the Company's Directors and Senior Management, so as to safeguard the legitimate interests of the Company and the shareholders.

(V) Information disclosure and transparency

The Company earnestly fulfils its information disclosure obligation, and makes true, accurate, timely, complete and fair disclosure in respect of the Company's information without false information, misleading statement or material omission in accordance with the requirements of the Articles of Association, Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, the Listing Rules of Hong Kong Stock Exchange and relevant laws and regulations of the CSRC. During the reporting period, the Company issued a total of more than 160 periodic reports, interim announcements, and related documents through the designated information disclosure media, and a total of more than 180 periodic reports, interim announcements, and related documents through the website of the Hong Kong Stock Exchange, ensuring that all shareholders had fair access to company-related information and had full right to know.

(VI) Prevention and control of insider information

During the reporting period, the Company strictly complied the provisions of the "Registration Management System of Personnel with Insider Information" to strengthen the confidentiality of insider information and improve the registration and management of personnel with insider information. The Directors, Supervisors, Senior Management and other related personnel of the Company were able to strictly observe their confidentiality obligations throughout the preparation of periodic reports, temporary announcements and the planning of major events. There was no case where insiders use inside information to buy and sell company shares before the disclosure of material and sensitive information that affects the stock price of the Company, and there is no case where they are investigated by the regulatory authorities.

(VII) Relevant stakeholders

During the reporting period, the Company always insisted on honest operation and was able to fully respect and safeguard the legitimate rights and interests of stakeholders such as bankers and other creditors, employees, suppliers and consumers, strengthened communication and exchange with all parties, and actively cooperate to jointly promote the sustainable, stable and healthy development of the Company.

Any material non-compliance of the laws, administrative regulations and the regulatory documents on the governance of listed companies issued by the CSRC in respect of actual governance of the Company

Yes No

There was no material non-compliance of the laws, administrative regulations and the regulatory documents on the governance of listed companies issued by the CSRC in respect of the actual governance of the Company.

VI Corporate Governance

II. Particulars about the independence in terms of assets, personnel, finance, organisations, and business from the controlling shareholder and beneficial controllers

The Company was completely separated from the controlling shareholder in terms of business, personnel, assets, organisations and finance. The Company had a comprehensive internal structure, independent and complete businesses as well as the capability of self-operation.

1. In terms of business: the Company had its own R&D, production, procurement and sales system, and was completely independent of controlling shareholder in terms of business. The controlling shareholder and its other subsidiaries were not competitors of the Company in the same industry.
2. In terms of personnel: the Company had an independent workforce, and had established independent departments including the research and development department, production department, administration department, finance department, procurement department and sales department. The Company had also established a comprehensive management system with respect to labour, personnel and salary. Personnel of the Company were independent of the controlling shareholder. The Company's Chairman was elected at the general meeting, while the general manager, deputy general manager, secretary to the Board, chief financial officer and other Senior Management members all worked at and received remuneration from the Company. They did not receive remuneration from related companies of the controlling shareholder, nor did they serve at any position therein other than a director or supervisor. The appointment of the Company's Directors, Supervisors and Senior Management was conducted through legal procedures and in strict compliance with the relevant requirements of Company Law and the Articles of Association. None of the controlling shareholders interfered with the Company's Board, or the appointment and dismissal decisions at general meetings.
3. In terms of assets: the title relationship between the Company and the controlling shareholder was clear, and the Company's funds, assets and other resources were not illegally occupied or dominated by the controlling shareholder. The Company's assets were complete, and possessed production equipment, auxiliary production equipment, patents and other assets that were in line with its production and operation scope. The Company had complete control and dominance over all assets.
4. In terms of organisations: the Board, Supervisory Committee, management and other internal organisations of the Company operated independently. Each functional department was completely separated from the controlling shareholder in terms of authority, personnel, etc. There was no subordinate relationship between the controlling shareholder and its functional departments, and the Company and its functional departments. The Company's independence in terms of its production, operation and management was not affected by the controlling shareholder.
5. In terms of finance: the Company had its own finance department, accounting and auditing system and financial management system, and was able to make independent financial decisions, with a standardised financial accounting system and financial management system for subsidiaries. None of the controlling shareholders interfered with the Company's finance and accounting activities. The Company had a separate account in a commercial bank and there was no sharing of bank accounts with the controlling shareholder. The Company reported on tax return and fulfilled its tax obligations independently in accordance with the law.

III. Competition in the industry

Applicable Not applicable

VI Corporate Governance

IV. Annual general meeting and extraordinary general meeting convened during the reporting period

1. General meetings during the reporting period

Meeting	Type of meeting	Attendance rate of investors	Convening date	Disclosure date	Resolutions of meeting
2021 annual general meeting	Annual general meeting	20.22%	11 May 2022	12 May 2022	http://www.cninfo.com.cn (announcement no.: 2022-032)
2022 first extraordinary general meeting	Extraordinary general meeting	19.81%	15 June 2022	16 June 2022	http://www.cninfo.com.cn (announcement no.: 2022-049)
2022 second extraordinary general meeting	Extraordinary general meeting	20.85%	23 December 2022	24 December 2022	http://www.cninfo.com.cn (announcement no.: 2022-096)

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

Applicable Not applicable

VI Corporate Governance

V. Directors, Supervisors and Senior Management

1. General information

Name	Position	Status of office	Gender	Age	Date of the beginning of the term	Date of the end of the term	Shareholding at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Other changes (shares)	Shareholding at the end of the period (shares)	Reason for changes
Chen Hongguo	Chairman	In office	M	58	6 September 2001	15 June 2025	31,080,044	0	0	0	31,080,044	N/A
Hu Changqing	General manager	In office	M	57	15 June 2022	15 June 2025	5,042,857	0	1,250,000	0	3,792,857	Personal capital needs
	Vice chairman				23 June 2018							
Li Xingchun	Vice chairman	In office	M	57	11 June 2019	15 June 2025	5,000,000	0	0	0	5,000,000	N/A
Li Feng	Director	In office	M	49	19 June 2020	15 June 2025	3,906,027	0	750,000	0	3,156,027	Personal capital needs
Li Weixian	Deputy general manager	In office	M	41	15 June 2022	15 June 2025	2,240,200	0	678,100	0	1,562,100	Personal capital needs
	Director				15 June 2022							
Han Tingde	Deputy general manager	In office	M	54	6 November 2019	15 June 2025	0	0	0	0	0	N/A
	Director				11 June 2019							
Li Chuanxuan	Director	In office	M	45	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Li Zhihui	Independent Director	In office	M	64	15 June 2022	15 June 2025	0	0	0	0	0	N/A
Sun Jianfei	Independent Director	In office	M	50	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Yin Meiqun	Independent Director	In office	F	52	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Yang Biao	Independent Director	In office	M	43	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Li Kang	Supervisor Chairman of the Supervisory Committee	In office	F	41	27 July 2020 15 June 2022	15 June 2025 15 June 2025	149,300	0	0	0	149,300	N/A
Pan Ailing	Supervisor	In office	F	58	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Zhang Hong	Supervisor	In office	F	58	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Qiu Lanju	Supervisor	In office	F	49	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Sang Ailing	Supervisor	In office	F	44	19 April 2021	15 June 2025	0	0	0	0	0	N/A
Li Xueqin	Deputy general manager	In office	F	57	18 March 2003	15 June 2025	3,861,322	0	0	0	3,861,322	N/A
Li Zhenzhong	Deputy general manager	In office	M	49	20 March 2011	15 June 2025	2,113,000	0	166,600	0	1,946,400	Personal capital needs
Li Mingtang	Deputy general manager	In office	M	55	15 June 2022	15 June 2025	1,000,000	0	250,000	0	750,000	Personal capital needs
Ge Guangming	Deputy general manager	In office	M	52	15 June 2022	15 June 2025	0	0	0	0	0	N/A
Dong Lianming	Financial controller	In office	M	48	12 October 2018	15 June 2025	1,069,600	0	210,000	0	859,600	Personal capital needs
Yuan Xikun	Secretary to the Board	In office	M	37	16 May 2018	15 June 2025	344,700	0	0	0	344,700	N/A
Chu Hon Leung	Hong Kong company secretary	In office	M	40	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Chen Gang	General manager	Resigned	M	50	8 August 2021	15 June 2022	1,139,700	0	200,000	0	939,700	Personal capital needs
Total	-	-	-	-	-	-	56,946,750	0	3,504,700	0	53,442,050	-

During the reporting period, did any Director and Supervisor resign and was any member of the Senior Management dismissed during their term of office

Yes No

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

1. General information (*Continued*)

Changes of Directors, Supervisors and Senior Management of the Company

Applicable Not applicable

Name	Position	Type	Date	Reason
Li Weixian	Director	Elected	15 June 2022	Election of the new session, and elected as a Director of the tenth session of the Board at the 2022 first extraordinary general meeting.
Li Zhihui	Independent Director	Elected	15 June 2022	Election of the new session, and elected as an independent Director of the tenth session of the Board at the 2022 first extraordinary general meeting.
Li Kang	Chairman of the Supervisory Committee	Elected	15 June 2022	Elected as the chairman of the Supervisory Committee at the first meeting of the tenth session of the Supervisory Committee.
Chen Hongguo	General manager	Appointed	15 June 2022	Appointed as the general manager of the Company at the first meeting of the tenth session of the Board.
Li Feng	Deputy general manager	Appointed	15 June 2022	Appointed as a deputy general manager of the Company at the first meeting of the tenth session of the Board.
Li Mingtang	Deputy general manager	Appointed	15 June 2022	Appointed as a deputy general manager of the Company at the first meeting of the tenth session of the Board.
Ge Guangming	Deputy general manager	Appointed	15 June 2022	Appointed as a deputy general manager of the Company at the first meeting of the tenth session of the Board.
Chen Gang	General manager	Resigned upon expiry of the term	15 June 2022	Resigned upon expiry of the term

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

2. Employment

Professional background, major working experiences and current duties at the Company of Directors, Supervisors and the Senior Management

1. Brief biographies of Directors

(1) Brief biographies of executive Directors

Mr. Chen Hongguo is a member of the Communist Party of the PRC. He holds a bachelor's degree. He is a senior economist and holds the titles including Nationwide Light Industry Top Ten Youth Experts (全國輕工系統十佳傑出青年崗位能手), Labour Medal on Enriching Shandong Province (山東省富民興魯勞動獎章獲得者), Excellent Entrepreneur of Shandong Province (山東省優秀企業家), Nationwide May 1st Labor Medal (全國五一勞動獎章獲得者), Nationwide Excellent Entrepreneur (全國優秀創業企業家) and USA RISI CEO of the Year (美國銳思“年度最佳 CEO 獎”). He is vice chairman of the China National Light Industry Council. He joined the Company in 1987 and had held positions including chief officer of manufacturing section, chief officer of branch factory, deputy general manager, Director of the Company and the chairman of Wuhan Chenming. He is currently the chairman and general manager of Chenming Holdings, the chairman and general manager of the Company and a Party Committee Secretary. Mr. Chen Hongguo is the spouse of Ms. Li Xueqin, a deputy general manager of the Company.

Mr. Hu Changqing is a member of the Communist Party of the PRC. He holds a bachelor's degree. He joined the Company in 1987. He had held various positions in the Company such as the chief of the technological reform department, the chief officer of branch factory, and the deputy general manager. He is currently a director of Chenming Holdings and a vice chairman of the Company.

Mr. Li Xingchun holds a doctorate from School of Engineering Management and Engineering at Nanjing University and is a visiting professor of Shanghai Finance University. He has successively worked in Ctrip.com, Fuyou Securities Co., Ltd. (富友證券有限責任公司) and Western Development Holdings Co., Ltd., accumulating more than 30 years of experience in industry, securities, trust and other fields. He is currently the chairman of Leadbank Technology Ltd., director of Western Leadbank Fund Management Co., Ltd., independent director of Huadian International Power Co., Ltd., chairman of Kunpeng Asset Management Co., Ltd., and a vice chairman of the Company.

Mr. Li Feng is a member of the Communist Party of the PRC. He holds a bachelor's degree. He joined the Company in 1992 and had held different positions including the chief officer of manufacturing section and assistant to the general manager of the Company, chairman, marketing director, deputy general manager and general manager of Wuhan Chenming. He is currently a director of Chenming Holdings, and an executive Director and deputy general manager of the Company. Mr. Li Feng is the younger brother of Ms. Li Xueqin, a deputy general manager of the Company.

Mr. Li Weixian graduated with a postgraduate degree. He joined the Company in 2002 and served as the deputy manager of a sales company of the Company, manager of a sales company, general manager of Jiangsu district of a sales company, chairman of a household paper company, product general manager, deputy marketing director and marketing director of a sales company, the general manager of the Group, and chairman of the financial division of a group. He is currently an executive Director and deputy general manager of the Company.

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

2. Employment (*Continued*)

1. Brief biographies of Directors (*Continued*)

(2) Brief biographies of non-executive Directors

Mr. Han Tingde graduated with a bachelor's degree. He was the deputy general manager and the general manager of operational department of Jinan, Liaocheng and Linyi offices of Shandong Securities Co., Ltd., the deputy general manager and the general manager of operational department of Zibo and Jinan offices of Tiantong Securities Co., Ltd. in China, the general manager of each of the customer service department, the brokerage headquarters and the legal affairs department, as well as a deputy general manager of the retail headquarters of Zhongtai Securities Co., Ltd., etc. He is currently the manager of the bond business department of Hengtai Changcai Securities Co., Ltd., and a non-executive Director of the Company.

Mr. Li Chuanxuan holds a doctorate in law. He is a professor at Fudan University, Shanghai. From 2008 to 2012, he was a lecturer in the Law School of Fudan University. From 2012 to 2013, he was a visiting scholar of the Law School of Columbia University in the United States, focusing on the research on green finance laws and policies. He is currently the secretary general of the Environmental and Resources Protection Law Society of Shanghai Law Society (上海市法學會環境和資源保護法研究會), the director of the Chinese Society of Environmental and Resources Law (中國法學會環境資源法研究會), and an appraisal expert of environmental damage forensics in China. He has been selected into the Shanghai Pujiang Talent Programme. He has been in charge of and undertook over 10 national and provincial scientific research projects. Moreover, he has participated in the drafting of several laws and regulations of different legislatures including the Standing Committee of the National People's Congress, the Ministry of Ecology and Environment and Shanghai National People's Congress. He concurrently serves as a director of Jiangsu Guanlian New Material Technology Co., Ltd., and is currently a non-executive Director of the Company.

(3) Brief biographies of independent non-executive Directors

Mr. Li Zhihui holds a doctorate degree in economics, and is a professor and advisor to doctoral students. He currently serves as the head of the Institute of Finance, the School of Economics, Nankai University, a director of the China Society for Finance and Banking, a director of the China International Finance Society, a member of the China Financial Publishing House's teaching material editorial committee and a visiting professor at Tianjin Foreign Studies University. He also serves as an independent director of Shandong Gold Futures Co., Ltd., a director of Henan Anyang Shangdu Rural Commercial Bank Co., Ltd., an independent director of Henan Yiyang Rural Commercial Bank Co. Ltd., an external director of Xinxing Heavy Industries Group Co., Ltd. and an external supervisor of Dezhou Bank Co., Ltd. He is currently an independent Director of the Company.

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

2. Employment (*Continued*)

1. Brief biographies of Directors (*Continued*)

(3) Brief biographies of independent non-executive Directors (*Continued*)

Mr. Sun Jianfei holds a doctorate in finance, and is a professor. He was a lecturer at University of Nevada, Reno, and concurrently served as the consultant of hedge funds such as Eagle Peak Fund LP. From August 2010 to February 2017, he was an assistant professor at Antai College of Economics & Management, Shanghai Jiao Tong University. He was selected in the National Academic Leadership Talent Programme in Accounting (Standby List) (全國學術類會計領軍(後備)人才項目) organised by the Ministry of Finance, as well as the Shanghai Pujiang Talent Programme. From February 2017 to August 2020, he was a professor at the Institute for Social and Economic Research of Nanjing Audit University, and a part-time professor at Antai College of Economics & Management and Advanced Institute of Finance, Shanghai Jiao Tong University. He is currently an Associate professor of Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University, supervisor of Boyang (Shanghai) Energy Technology Co., Ltd., independent director of Nanya New Material Technology Co., Ltd., independent director of Suzhou Tianwo Technology Co., Ltd., independent director of Cubic Digital Technology Co., Ltd., and an independent Director of the Company.

Mr. Yang Biao holds a doctorate in law, and is currently a professor and advisor to doctoral students. He is current a professor of the School of Law of Sun Yat-sen University. He is, among others, one of the “Guangzhou Top Ten Young and Middle-aged Jurists”, an outstanding young talent in the “Guangdong Special Support Programme”, a selected member in the “Double Thousand Plan (雙千計劃)” of the Ministry of Education and the Central Politics and Law Committee, a training candidate in the “Thousand-Hundred-Ten project (千百十工程)” for universities in Guangdong Province, a member of the first council of the Civil Prosecution Professional Committee of the Procuratorial Research Association of the China Law Society, a member of the Expert Advisory Committee to Guangdong People’s Procuratorate, a supervisory member and judicial advisory expert of the Standing Committee of Guangzhou People’s Congress, an expert certified in Major Administrative Decision-Making and Argumentation in Guangzhou and a member of the Expert Committee of the Department of Emergency Management of Guangdong Province. He has also served as an independent director of Guangdong Tianhe Agricultural Resources Co., Ltd., an independent director of Qiaoyi Logistics Co., Ltd., an external director of Science City (Guangzhou) Investment Group Co., Ltd., a director of Guangzhou Zhongda Nansha Technology Innovation Industrial Park Co., Ltd., a director of Guangzhou Zhongda Intellectual Property Service Co., Ltd., an external supervisor of Dongguan Rural Commercial Bank Co., Ltd., and a supervisor of Guangzhou Chuanwen Education Consulting Co., Ltd. He is currently an independent Director of the Company.

Ms. Yin Meiqun holds a doctorate in accounting, and is a professor, an advisor to doctoral students, and a certified public accountant in China. She paid academic visits to Sweden, Finland, Denmark and the Iowa State University in the United States. From July 1993 to June 2007, she was a professor in the department of accounting at Harbin University of Science and Technology. From July 2007 to August 2021, she was a professor of Beijing International Studies University. She is currently a professor of China University of Political Science and Law, a representative of the 15th Beijing Municipal People’s Congress, a member of the Accounting Education Committee of the Accounting Society of China, a council member of the Accounting Society of China, a member of the IMA China Management Accounting Expert Committee, an independent director of Beijing Life Insurance Co., Ltd, and an independent director of China Best Group Holding Limited. She is currently an independent Director of the Company.

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

2. Employment (*Continued*)

2. Brief biographies of Supervisors

Ms. Li Kang is a member of the Communist Party of the PRC. She holds a bachelor's degree. She joined the Company in 2001. She has successively served as the section chief, deputy minister, minister, assistant to the general manager of the management section of purchasing department, and deputy financial controller of the Company. She is currently the chairman of the Supervisory Committee of the Company, responsible for the management of the audit department.

Ms. Pan Ailing is a Ph.D. in Economics and holds a post-doctoral degree in Financial Management. She is currently a level-2 professor of the School of Management, an advisor to doctoral students, and the chief of the Investment and Financing Research Centre (投融資研究中心) in Shandong University and a non-practising member of CICPA (Chinese Institute of Certified Public Accountants). She is also the vice chairperson of the Accounting Institute, Shandong Province (山東省會計學會), a council member of Shandong Comparative Management Association, a visiting scholar at University of Connecticut in the United States and a state-level candidate for the New Century Ten Million Talents Project (新世紀“百千萬人才工程”). She is a specialist entitled to the State Council Special Allowance (國務院政府特貼專家), and a special expert of the Taishan Scholar. She is the chief expert of the Major Tender Projects of National Social and Science Fund (國家社科基金重大招標課題首席專家). She has finished various research projects at national and provincial level. She is also an independent director of Shandong Xinhua Medical Equipment Co., Ltd., and an independent director of Shandong Sunway Chemical Group Co., Ltd. She is currently a Supervisor of the Company.

Ms. Zhang Hong holds a doctoral degree in Economics, and is currently a professor and advisor to doctoral students at Shandong University, head of a multinational corporation research institute, a non-practising member of the Chinese Institute of Certified Public Accountants, a director of China Association of International Trade, a director of Shandong Province External Trade Association, an independent director of Shandong Hi-speed Road & Bridge Group Co., Ltd., an independent director of Vosges Group Co., Ltd., an independent director of China National Heavy Duty Truck Group Jinan Truck Co., Ltd., and an independent director of Cisen Pharmaceutical Co., Ltd. She is currently a Supervisor of the Company.

Ms. Qiu Lanju graduated with a diploma. She joined the Company in 1995 and served as the deputy chief of the price audit section of the Company's inspection department, the chief of the implementation section of the procurement department, the chief of the general management section of the procurement department, and the director of the procurement department. She is currently an employee representative Supervisor of the Company, responsible for the management of the human resources department.

Ms. Sang Ailing holds a bachelor's degree and is a member of the Communist Party of the PRC. She joined the Company in 2000 and served as the chief of the personnel management section of the marketing department of a sales company, the deputy director and director of the marketing department of a sales company, etc. She is currently a deputy director of the marketing department of the Company and an employee representative Supervisor of the Company.

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

2. Employment (*Continued*)

3. Brief biographies of Senior Management

Mr. Chen Hongguo is a member of the Communist Party of the PRC. He holds a bachelor's degree. He is a senior economist and holds the titles including Nationwide Light Industry Top Ten Youth Experts (全國輕工系統十佳傑出青年崗位能手), Labour Medal on Enriching Shandong Province (山東省富民興魯勞動獎章獲得者), Excellent Entrepreneur of Shandong Province (山東省優秀企業家), Nationwide May 1st Labor Medal (全國五一勞動獎章獲得者), Nationwide Excellent Entrepreneur (全國優秀創業企業家) and USA RISI CEO of the Year (美國銳思“年度最佳 CEO 獎”). He is a vice chairman of the China National Light Industry Council. He joined the Company in 1987 and had held positions including chief officer of manufacturing section, chief officer of branch factory, deputy general manager, Director of the Company and the chairman of Wuhan Chenming. He is currently the chairman and general manager of Chenming Holdings, the chairman and general manager of the Company and a Party Committee Secretary. Mr. Chen Hongguo is the spouse of Ms. Li Xueqin, a deputy general manager of the Company.

Ms. Li Xueqin is a member of the Communist Party of the PRC. She holds a bachelor's degree. She was successively awarded titles including “Model Worker in Shandong Province (山東省勞動模範), Model Worker in the Country (全國勞動模範) and Nationwide May 1st Labour Medal (全國五一勞動獎章)” and a deputy of the Tenth, Eleventh, Twelfth and Thirteenth National People's Congress. She joined the Company in 1987 and had held the positions of the chief of audit department and deputy general manager of the Company. She has been a deputy general manager of the Company since March 2003. Ms. Li Xueqin is the spouse of Mr. Chen Hongguo, the chairman and general manager of the Company.

Mr. Li Feng is a member of the Communist Party of the PRC. He holds a bachelor's degree. He joined the Company in 1992 and had held different positions including the chief officer of manufacturing section and assistant to the general manager of the Company, chairman, marketing director, deputy general manager and general manager of Wuhan Chenming. He is currently a director of Chenming Holdings, and an executive Director and deputy general manager of the Company. Mr. Li Feng is the younger brother of Ms. Li Xueqin, a deputy general manager of the Company.

Mr. Li Weixian graduated with a postgraduate degree. He joined the Company in 2002 and served as a deputy manager of a sales company of the Company, manager of a sales company, general manager of Jiangsu district of a sales company, chairman of a household paper company, product general manager, deputy marketing director and marketing director of a sales company, the general manager of the Group, and chairman of the financial division of a group. He is currently an executive Director and deputy general manager of the Company.

Mr. Li Zhenzhong is a member of the Communist Party of the PRC. He holds a bachelor's degree. He joined the Company in 1995 and had served as principal representative of the Shanghai management region of a sales company, sales manager of light weight coated culture paper products, general manager of culture paper products of a sales company. He is currently a deputy general manager of the Company.

Mr. Li Mingtang is a member of the Communist Party of the PRC. He joined the Company in 2002 and had served as principal representative of the Jiangsu management region and Jinan branch of a sales company, assistant to general manager and general manager of a culture paper products company, and deputy general manager of a coated linerboard products company. He is currently a deputy general manager of the Company.

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

2. Employment (*Continued*)

3. Brief biographies of Senior Management (*Continued*)

Mr. Ge Guangming is a member of the Communist Party of the PRC. He joined the Company in 1995 and had served as a deputy general project manager of the Company, deputy general manager of Jilin Chenming, assistant to general manager of the Company, and deputy general manager responsible for the Zhanjiang Chenming project and the Huanggang Chenming Pulp & Paper project. He is currently a deputy general manager of the Company.

Mr. Dong Lianming is a member of the Communist Party of the PRC and an accountant. He holds a bachelor's degree. He joined the Company in 1997 and had held positions as the chief of accounting and auditing section under the financial department of the Company, the deputy chief and chief of the financial department, chief accountant of Jiangxi Chenming, chief accountant of Shandong Chenming Panels and financial controller and deputy general manager of Zhanjiang Chenming. He is currently the financial controller of the Company.

Mr. Yuan Xikun is a member of the Communist Party of the PRC. He holds a bachelor's degree in management. He joined the Company in 2010 and had held positions as the accountant for consolidated financial statements in the financial department of the Company, manager of disclosure department, security affairs specialist and chief of the security investment section. He is currently the secretary to the Board of the Company.

Mr. Chu Hon Leung is a lawyer. He obtained a bachelor's degree in business from Macquarie University, Sydney, Australia, and a postgraduate diploma in law from The College of Law, London, England. He graduated from the City University of Hong Kong and obtained a diploma in Hong Kong law. He had been a lawyer in local and international law firms in Hong Kong and served and an internal consultant for leading Chinese asset management companies. He has been a practicing lawyer in Hong Kong since 2009 and currently works for Li & Partners.

Employment at the shareholder of the Company

Applicable Not applicable

Name of employee	Name of shareholder of the Company	Position at the shareholder of the Company	Date of the beginning of the term	Date of the end of the term	Whether receiving any remuneration or allowance from the shareholder of the Company
Chen Hongguo	Chenming Holdings Company Limited	Chairman and general manger	22 September 2016	29 December 2023	No
Hu Changqing	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2023	No
Li Xueqin	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2023	No
Li Feng	Chenming Holdings Company Limited	Director	13 August 2021	29 December 2023	No
Explanation of the employment at the shareholder of the Company	Nil				

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

2. Employment (*Continued*)

3. Brief biographies of Senior Management (*Continued*)

Employment at other units

Applicable Not applicable

Name of employee	Name of other units	Position at other units	Date of the beginning of the term	Date of the end of the term	Whether receiving any remuneration or allowance from other units
Yang Biao	Guangdong Guangzhou Daily Media Co., Ltd.	Independent director	19 August 2019	19 August 2022	Yes
Yang Biao	Guangdong Tianhe Agricultural Means of Production Co., Ltd.	Independent director	17 May 2018	16 May 2024	Yes
Yang Biao	Qiaoyi Logistics Co., Ltd.	Independent director	31 March 2021	31 March 2024	Yes
Yang Biao	Dongguan Rural Commercial Bank Co., Ltd.	External supervisor	1 October 2019	1 October 2025	Yes
Sun Jianfei	Nanya New Material Technology Co., Ltd.	Independent director	4 August 2017	29 September 2023	Yes
Sun Jianfei	Suzhou Thvow Technology Co., Ltd.	Independent director	8 May 2020		Yes
Sun Jianfei	Cubic Digital Technology Co., Ltd.	Independent director	18 May 2021	18 May 2024	Yes
Sun Jianfei	Zhejiang Yueling Co., Ltd.	Independent director	1 November 2016	13 May 2022	Yes
Yin Meiqun	Shangqiu Dingfeng Wood Co., Ltd.	Independent director	21 April 2021	20 April 2024	Yes
Yin Meiqun	China Best Group Holding Limited	Independent director	1 December 2021	30 November 2024	Yes
Li Zhihui	Tianjin Troila Information Technology Co., Ltd.	Independent director	31 August 2019	17 October 2022	Yes
Li Xingchun	Huadian International Power Co., Ltd.	Independent director	30 June 2020	29 June 2023	Yes
Pan Ailing	Shinva Medical Instrument Co., Ltd.	Independent director	27 July 2020	26 July 2023	Yes
Pan Ailing	Lu Thai Textile Co., Ltd.	Independent director	6 June 2016	9 June 2022	Yes
Pan Ailing	Shandong Denghai Seed Industry Co., Ltd.,	Independent director	12 April 2019	10 May 2022	Yes
Pan Ailing	Shandong Sunway Chemical Group Co., Ltd.	Independent director	15 May 2020	15 May 2023	Yes
Zhang Hong	Shandong Zhangqiu Blower Co., Ltd.	Independent director	27 March 2019	22 April 2022	Yes
Zhang Hong	Sunvim Group Co., Ltd.	Independent director	15 July 2019	27 May 2023	Yes
Zhang Hong	Sinotruck Jinan Truck Co., Ltd.	Independent director	28 April 2020	27 April 2023	Yes
Zhang Hong	Cisen Pharmaceutical Co., Ltd.	Independent director	8 December 2020	8 December 2023	Yes
Zhang Hong	Shandong Hi-speed Road & Bridge Group Co., Ltd.	Independent director	23 April 2019	22 June 2023	Yes

Sanctions against current Directors, Supervisors and Senior Management of the Company and those who resigned during the reporting period by securities regulatory authorities in the past three years

Applicable Not applicable

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

3. Remuneration of Directors, Supervisors and Senior Management

Decision process, basis for determining the remuneration and actual payment for the remuneration of Directors, Supervisors and the Senior Management

- (1) Determination basis for remuneration of Directors, Supervisors and the Senior Management: The annual remuneration of each of the executive Directors and the Senior Management of the Company was in the band of RMB0.20 million to 5.00 million and the specific amount for each of them was determined by the remuneration committee based on the main financial indicators and operation target completed by the Company, the scope of work and main responsibilities of the Directors and Senior Management of the Company, the target completion of the Directors and Senior Management as assessed by the duty and performance appraisal system, as well as business innovation capability and profit generation ability of the Directors and the Senior Management. The annual remuneration of Supervisors assuming specific managerial duties in the Company were determined by the general manager office of the Company based on specific managerial duties assumed by them. Fixed annual remuneration policy was adopted on external Supervisors who did not hold actual management positions in the Company. As approved at the 2022 first extraordinary general meeting of the Company, the Company paid each of the independent non-executive Directors and non-executive Directors of the Company allowance of RMB200,000 (before tax). The remuneration of external Supervisors amounted to RMB100,000 (before tax). The travel expenses for attending board meetings, supervisory meetings and general meetings of the Company and fees reasonably incurred in the performance of their duties under the Articles of Association by independent non-executive Directors, non-executive Directors and external supervisors are reimbursed as expensed.
- (2) Decision process for remuneration of Directors, Supervisors and Senior Management: In accordance with the relevant policies and regulations such as the Implementation Rules of the Remuneration and Assessment Committee under the Board, any remuneration plan for the Company's executive Directors proposed by the remuneration and assessment committee shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation. Any proposal of remuneration distribution plan for the Senior Management officers of the Company shall be submitted to the Board for approval. The remuneration of independent non-executive Directors, non-executive Directors and external Supervisors of the Company shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation.
- (3) The remuneration and assessment committee, which was set up by the Board according to the resolution of the general meeting, is mainly responsible to formulate the standards of, carry out appraisal in respect of the non-independent Directors and Senior Management of the Company; formulate and examine the remuneration policy and scheme of the non-independent Directors and Senior Management of the Company, and accountable to the Board.

VI Corporate Governance

V. Directors, Supervisors and Senior Management (*Continued*)

3. Remuneration of Directors, Supervisors and Senior Management (*Continued*)

Decision process, basis for determining the remuneration and actual payment for the remuneration of Directors, Supervisors and the Senior Management (*Continued*)

Unit: RMB'0,000

Name	Position	Gender	Age	Status	Total remuneration before tax received from the Company	Received remuneration from related parties of the Company
Chen Hongguo	Chairman and general manager	M	58	In office	359.99	No
Hu Changqing	Vice chairman	M	57	In office	224.65	No
Li Xingchun	Vice chairman	M	57	In office	480.00	Yes
Li Feng	Director and deputy general manager	M	49	In office	195.03	No
Li Weixian	Director and deputy general manager	M	41	In office	256.04	No
Han Tingde	Director	M	54	In office	20.00	No
Li Chuanxuan	Director	M	45	In office	20.00	No
Li Zhihui	Independent Director	M	64	In office	10.00	No
Sun Jianfei	Independent Director	M	50	In office	20.00	No
Yin Meiqun	Independent Director	F	52	In office	20.00	No
Yang Biao	Independent Director	M	43	In office	20.00	No
Li Kang	Chairman of the Supervisory Committee	F	41	In office	66.96	No
Pan Ailing	Supervisor	F	58	In office	10.00	No
Zhang Hong	Supervisor	F	58	In office	10.00	No
Qiu Lanju	Supervisor	F	49	In office	62.55	No
Sang Ailing	Supervisor	F	44	In office	22.50	No
Li Xueqin	Deputy general manager	F	57	In office	165.28	No
Li Zhenzhong	Deputy general manager	M	49	In office	189.61	No
Li Mingtang	Deputy general manager	M	55	In office	163.38	No
Ge Guangming	Deputy general manager	M	52	In office	143.64	No
Dong Lianming	Financial controller	M	48	In office	189.25	No
Yuan Xikun	Secretary to the Board	M	37	In office	76.64	No
Chu Hon Leung	Hong Kong company secretary	M	40	In office	0.00	No
Chen Gang	General manager	M	50	Resigned	26.54	No
Total	—	—	—	—	2,752.06	—

Note: The total pre-tax remuneration received by Directors, Supervisors and the Senior Management from the Company is the remuneration during their tenure.

VI Corporate Governance

VI. Performance of Directors during the reporting period

1. Board meetings during the reporting period

Meeting	Convening date	Disclosure date	Resolutions of meeting
The twelfth meeting of the ninth session of the Board	30 March 2022	31 March 2022	http://www.cninfo.com.cn (announcement no.: 2022-011)
The thirteenth meeting of the ninth session of the Board	29 April 2022	N/A	The Company's 2022 First Quarterly Report was considered and approved. It was exempted from disclosure by resolution announcement.
The twenty-fourth extraordinary meeting of the ninth session of the Board	23 May 2022	24 May 2022	http://www.cninfo.com.cn (announcement no.: 2022-033)
The twenty-fifth extraordinary meeting of the ninth session of the Board	30 May 2022	31 May 2022	http://www.cninfo.com.cn (announcement no.: 2022-046)
The first meeting of the tenth session of the Board	15 June 2022	16 June 2022	http://www.cninfo.com.cn (announcement no.: 2022-051)
The first extraordinary meeting of the tenth session of the Board	27 June 2022	28 June 2022	http://www.cninfo.com.cn (announcement no.: 2022-055)
The second extraordinary meeting of the tenth session of the Board	18 July 2022	19 July 2022	http://www.cninfo.com.cn (announcement no.: 2022-059)
The third extraordinary meeting of the tenth session of the Board	28 July 2022	29 July 2022	http://www.cninfo.com.cn (announcement no.: 2022-067)
The second meeting of the tenth session of the Board	30 August 2022	N/A	The Full Text and Summary of the Company's 2022 Interim Report was considered and approved. It was exempted from disclosure by resolution announcement.
The third meeting of the tenth session of the Board	28 October 2022	31 October 2022	http://www.cninfo.com.cn (announcement no.: 2022-076)
The fourth extraordinary meeting of the tenth session of the Board	21 November 2022	22 November 2022	http://www.cninfo.com.cn (announcement no.: 2022-084)
The fifth extraordinary meeting of the tenth session of the Board	7 December 2022	8 December 2022	http://www.cninfo.com.cn (announcement no.: 2022-092)

VI Corporate Governance

VI. Performance of Directors during the reporting period *(Continued)*

2. Attendance of Directors at Board meetings and general meetings

Attendance of Directors at Board meetings and general meetings

Name of Directors	Number of attendance required for Board meetings during the reporting period	Attendance of Directors at Board meetings and general meetings				Absent from Board meetings twice in a row (in person)	Attendance at general meetings
		Attendance at Board meetings in person	Attendance at Board meetings by communication	Attendance at Board meetings by proxy	Absence from Board meetings		
Chen Hongguo	12	0	12	0	0	No	0
Hu Changqing	12	0	12	0	0	No	3
Li Xingchun	12	0	12	0	0	No	3
Li Feng	12	0	12	0	0	No	3
Li Weixian	8	0	8	0	0	No	2
Han Tingde	12	0	12	0	0	No	3
Li Chuanxuan	12	0	12	0	0	No	3
Li Zhihui	8	0	8	0	0	No	2
Sun Jianfei	12	0	12	0	0	No	3
Yin Meiqun	12	0	12	0	0	No	3
Yang Biao	12	0	12	0	0	No	3

Explanation for absent from Board meetings twice in a row (in person)

During the reporting period, none of the Directors was absent from Board meetings twice in a row (in person).

3. Objections from Directors on related issues of the Company

Were there any objections on related issues of the Company from Directors?

Yes No

There was no objection on related issues of the Company from Directors during the reporting period.

VI Corporate Governance

VI. Performance of Directors during the reporting period *(Continued)*

4. Other details about the performance of duties by Directors

Were there any suggestions from Directors adopted by the Company?

Yes No

Explanation on the adoption or non-adoption with related suggestions from the Directors

During the reporting period, Directors of the Company performed their duties with integrity, diligence, responsibility and faithfulness, actively participated in corporate governance and decision-making activities, attended the Board meetings of the Company, carefully reviewed various proposals that need to be reviewed at Board meetings, and made resolutions in strict compliance with the regulations and requirements of the Company Law, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Guidelines for Self-discipline Regulation of Listed Companies of Shenzhen Stock Exchange No. 1 – Standard Operation of Listed Companies on the Main Board and the Articles of Association and other relevant laws, regulations and regulatory documents. In accordance with the Rules for Independent Directors of Listed Companies, Work System of Independent Directors and other regulations, the independent Directors of the Company performed their duties independently, diligently and responsibly. During the reporting period, the independent Directors of the Company paid attention to the appropriation of funds of the Company by the controlling shareholder and other related parties of the Company and external guarantees, and issued special explanation. They issued prior approval opinions for the estimated cap of ordinary related party transactions for 2022, and the debt transfer of financial leasing business and related party transactions, and also issued independent and impartial opinions for the Company's external guarantees, appointment of audit firm, election of the new session and other matters which had a significant impact on minority shareholders during the reporting period, which effectively safeguarded the overall interests of the Company and the legitimate rights and interests of all shareholders, especially minority shareholders, and further enhanced the standardised operation level of the Company.

VI Corporate Governance

VII. Special committees under the Board during the reporting period

Name of the committee	Member	Number of meeting convened	Convening date	Details of the meeting	Important opinion and advice	Other performance of duty	Details of objection
Audit Committee	Yin Meiqun, Li Chuanxuan and Sun Jianfei	2	30 March 2022	Reviewed the Company's 2021 Financial Final Accounts Report, Full Text and Summary of the Company's 2021 Annual Report, Proposal on the Appointment of Auditor for 2022 and Proposal on Provision for Impairment of Assets in 2021	Agreed to submit to the Board for review	Communication with external auditing institution engaged by the Company and the financial department of the Company in respect of the 2021 financial report auditing, review of the 2021 auditor's report and financial report; review of the independence, professional competence, investor protection ability, and practice qualifications of Grant Thornton.	Nil
			29 April 2022	Reviewed the 2022 First Quarterly Report of the Company	Agreed to submit to the Board for review	Review of the 2022 first quarterly report of the Company.	Nil
	Yin Meiqun, Li Zhihui and Sun Jianfei	2	30 August 2022	Reviewed the Full Text and Summary of the 2022 Interim Report of the Company	Agreed to submit to the Board for review	Review of the 2022 interim financial statements of the Company; paying attention to the appropriation of funds of the Company by the controlling shareholder and other related parties of the Company and external guarantees.	Nil
			28 October 2022	Reviewed the 2022 Third Quarterly Report of the Company	Agreed to submit to the Board for review	Review of the 2022 third quarterly report of the Company.	Nil

VI Corporate Governance

VII. Special committees under the Board during the reporting period *(Continued)*

Name of the committee	Member	Number of meeting convened	Convening date	Details of the meeting	Important opinion and advice	Other performance of duty	Details of objection
Remuneration and Assessment Committee	Yang Biao, Li Xingchun and Sun Jianfei	3	30 March 2022	Reviewed the Proposal on Determination of Remuneration of Directors, Supervisors and Senior Management for 2021	Agreed to submit to the Board for review	Determination of the remuneration of Directors, Supervisors and the Senior Management based on the operations of the Company, and the duty and performance appraisal of executive Directors, Senior Management, and Supervisors who assume specific management positions in the Company in 2021.	Nil
			23 May 2022	Reviewed the Proposal on Allowances for non-executive Directors and Independent non-executive Directors of the Tenth Session of the Board	Agreed to submit to the Board for review	Determination of the allowances for non-executive Directors and independent non-executive Directors upon comprehensive consideration with reference to the remuneration of directors of other listed companies of the same size, as well as based on the Company's actual operations and the duties of non-executive Directors and independent non-executive Directors.	Nil
			18 July 2022	Reviewed the Proposal on the Fulfilment of the Unlocking Conditions of the Restricted Shares Granted under the 2020 Restricted A Share Incentive Scheme during the First Unlocking Period, and the Proposal on the Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares	Agreed to submit to the Board for review	Review of the performance appraisal indicators at the company level and the performance appraisal indicators at individual level of the participants, and determination of the list of participants who do not meet the unlocking conditions as well as the repurchase price and repurchase quantity of restricted shares.	Nil

VI Corporate Governance

VII. Special committees under the Board during the reporting period *(Continued)*

Name of the committee	Member	Number of meeting convened	Convening date	Details of the meeting	Important opinion and advice	Other performance of duty	Details of objection
Nomination Committee	Sun Jianfei, Chen Hongguo and Yin Meiqun	1	23 May 2022	Reviewed the Proposal on the Election of Candidates for Non-independent Directors of the Tenth Session of the Board, and the Proposal on the Election of Candidates for Independent Non-executive Directors of the Tenth Session of the Board	Agreed to submit to the Board for review	Review of the qualification and work experience of the candidates for Directors.	Nil
Strategic Committee	Chen Hongguo, Hu Changqing and Yang Biao	1	28 October 2022	Reviewed the Proposal on the Investment and Construction of Softwood Bleached Chemical Pulp Project with Annual Production Capacity of 300,000 Tonnes and the Proposal on Zhanjiang Chenming's Investment and Construction of Special paper Project with Annual Production Capacity of 180,000 Tonnes	Agreed to submit to the Board for review	Comprehensive understanding of the purpose, prospects and funding of the construction projects and feasibility analysis of the construction projects according to the feasibility report.	Nil

VI Corporate Governance

VIII. Performance of duties by the Supervisory Committee

Were there any risks of the Company identified by the Supervisory Committee when performing its duties during the reporting period?

Yes No

None of those issues under the supervision was objected by the Supervisory Committee during the reporting period.

IX. Personnel of the Company

1. Number of staff, specialty composition and education level

Number of staff at the Company (person) as at the end of the reporting period	2,596
Number of staff at major subsidiaries (person) as at the end of the reporting period	7,462
Total number of staff (person) as at the end of the reporting period	10,855
Total number of staff receiving remuneration during the period (person)	10,855
Number of retired/resigned staff the Company and its major subsidiaries are required to compensate (person)	0

Specialty composition

Category of specialty composition	Number of people (person)
Production staff	7,259
Sales staff	500
Technical staff	465
Financial staff	177
Administrative staff	1,203
Other staff	1,251
Total	10,855

Education level

Category of education level	Number of people (person)
Postgraduate and above	21
Undergraduate	887
Post-secondary	2,178
Technical secondary and below	7,769
Total	10,855

VI Corporate Governance

IX. Personnel of the Company *(Continued)*

2. Remuneration policies

The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. Subject to the relevant laws and regulations, the Company adopts different standards of remuneration for different employees, which are determined based on their position, skill variety, performance, etc. with reference to the remuneration level in the labour market, the average level of salary in the society and the corporate reference line set by the government. The Company provides various benefits to the employees, including social insurance, housing allowance and paid leaves, etc.

3. Training programmes

The Company attaches importance to personnel training, implements the corporate spirit of “learning, surpassing and leading” and establishes a learning organisation. In 2023, the Company will further enhance cooperation with professional training institutions to enhance training quality. Meanwhile, the Company will innovate its way of learning and build a practical online learning platform. We will also develop quality training materials and improve existing ones by levels, initiating targeted training programmes. For the junior level staff, the training focuses on professional skills and business knowledge. For the middle-level staff, the training focuses on team management and execution. For the Senior Management, the training focuses on leadership. A team of excellent quality is built through training.

4. Labour outsourcing

Applicable Not applicable

X. Profit distribution of the Company and conversion of capital reserves into share capital

Formulation, implementation or adjustment of profit distribution policy, especially the cash dividend during the reporting period

Applicable Not applicable

VI Corporate Governance

X. Profit distribution of the Company and conversion of capital reserves into share capital (Continued)

The Company was profitable during the reporting period and the Parent Company's profit available for distribution to shareholders was positive, but no cash dividend distribution plan was proposed

Applicable Not applicable

Explanation on why it was profitable during the reporting period and the Parent Company's profit available for distribution to shareholders was positive but no cash dividend distribution plan was proposed

During the reporting period, as the domestic market demand was insufficient due to the economic environment, the sales volume of machine-made paper decreased year on year. At the same time, due to the rising prices of wood chips, chemicals, raw coal and other raw materials as well as energy prices, the Company faced great cost pressure. The net profit attributable to shareholders of the Company for the reporting period decreased as compared with the corresponding period of the prior year. Considering factors such as the current macroeconomic environment and the Company's strategic planning, in order to further reduce its liability size, optimise its capital structure, enhance the Company's financial resilience, and satisfy the capital needs for, among other things, day-to-day production and operation, and project construction, thereby enhancing risk resistance, securing the sustainable and steady development of the pulp production and paper making business, the principal business of the Company, and better safeguarding the long-term interests of all shareholders.

Use and plan of use of the Company's undistributed profits

The retained undistributed profits of the Company are accumulated and carried forward to the next year, which will be mainly used for day-to-day operation and development, repayment of interest-bearing liabilities and project construction of the Company to ensure the normal production, operation and business expansion of the Company, and to provide a reliable guarantee for the implementation of the Company's medium and long-term development strategy, thus effectively safeguarding the interests of the Company and all shareholders, especially small and medium shareholders.

Profit distribution and conversion of capital reserves into share capital during the reporting period

Applicable Not applicable

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

XI. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measures of the Company

Applicable Not applicable

1. Equity incentives

1. On 30 March 2020, the Company convened the ninth extraordinary meeting of the ninth session of the Board, at which the Company considered and approved the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary and other resolutions. On the same date, the fourth extraordinary meeting of the ninth session of the Supervisory Committee of the Company considered and approved the above resolutions and verified the list of proposed participants of the incentive scheme. Independent Directors of the Company issued independent opinions on the incentive scheme.
2. On 3 April 2020, the Company announced the list of participants through the Company's internal website for a period from 3 April 2020 to 12 April 2020. During the period, the Supervisory Committee of the Company and relevant departments did not receive any objection against the proposed participants. The Supervisory Committee verified the list of participants under the grant of the incentive scheme.
3. On 15 May 2020, the Company convened the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares, at which the Company considered and approved the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary and other resolutions. On 16 May 2020, the Company disclosed the Self-Examination Report for the Trading of Shares of the Company by Insiders and Participants of the 2020 Restricted A Share Incentive Scheme.
4. On 29 May 2020, the Company convened the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee, at which the Company considered and approved the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants, approving the issue of 79,600,000 restricted A shares to 111 participants at the price of RMB2.85 per share on 29 May 2020.
5. On 15 July 2020, the 79,600,000 restricted A shares granted to the participants were listed.
6. On 18 July 2022, the Company convened the second extraordinary meeting of the tenth session of the Board and the first extraordinary meeting of the tenth session of the Supervisory Committee, at which the Company considered and approved the Resolution on the Fulfilment of the Unlocking Conditions of the Restricted Shares Granted under the 2020 Restricted A Share Incentive Scheme during the First Unlocking Period and the Resolution on the Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares. The independent Directors of the Company issued independent opinions to agree with such resolutions.

96 participants fulfilled the unlocking conditions for the first unlocking period under the 2020 Restricted A Share Incentive Scheme with 29,948,000 restricted shares being eligible for unlocking. 15 participants had resigned, had changed duty, and had removed from office, which failed to comply with the unlocking conditions. The total number of restricted shares that have been granted to and held by the participants and have not yet been unlocked is 4,466,000, representing 5.61% of the total number of restricted shares granted under the 2020 Restricted A Share Incentive Scheme.

7. On 27 July 2022, 29,948,000 restricted A shares that were unlocked were listed for trading.

VI Corporate Governance

XI. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measures of the Company (Continued)

1. Equity incentives (Continued)

8. On 9 October 2022, Grant Thornton (Special General Partnership) issued a Capital Verification Report (Zhi Tong Yan Zi (2022) No. 371C000576), in which they verified the change in the registered capital and paid-in capital (share capital) of the Company as of 30 September 2022. Verification result: As of 30 September 2022, the registered capital and paid-in capital (share capital) of the Company upon the change amounted to RMB2,979,742,200.00 and RMB2,979,742,200.00, respectively.
9. On 18 October 2022, the Company completed the procedures for the repurchase and cancellation of 4,466,000 restricted A shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Equity incentives granted to Directors and the Senior Management of the Company

√ Applicable □ Not applicable

Unit: share

Name	Position	Number of share options held at the beginning of the period	Number of newly granted share options during the reporting period	Number of shares exercisable during the reporting period	Number of shares exercised during the reporting period	Exercise price of the shares exercised during the reporting period (RMB/share)	Number of share options held at the end of the period	Market price at the end of the reporting period (RMB/share)	Number of restricted shares held at the beginning of the period	Number of unlocked shares during the current period	Number of newly granted restricted shares during the reporting period	Grant price of restricted shares (RMB/share)	Number of restricted shares held at the end of the period
Chen Hongguo	Chairman and general manager	0	0	0	0	0	0	4.98	20,000,000	8,000,000	0	2.85	12,000,000
Hu Changqing	Vice chairman	0	0	0	0	0	0	4.98	5,000,000	2,000,000	0	2.85	3,000,000
Li Xingchun	Vice chairman	0	0	0	0	0	0	4.98	5,000,000	2,000,000	0	2.85	3,000,000
Li Feng	Director and deputy general manager	0	0	0	0	0	0	4.98	3,000,000	1,200,000	0	2.85	1,800,000
Li Weixian	Director and deputy general manager	0	0	0	0	0	0	4.98	2,000,000	800,000	0	2.85	1,200,000
Li Xueqin	Deputy general manager	0	0	0	0	0	0	4.98	3,000,000	1,200,000	0	2.85	1,800,000
Li Zhenzhong	Deputy general manager	0	0	0	0	0	0	4.98	2,000,000	800,000	0	2.85	1,200,000
Li Mingtang	Deputy general manager	0	0	0	0	0	0	4.98	1,000,000	400,000	0	2.85	600,000
Dong Lianming	Financial controller	0	0	0	0	0	0	4.98	1,000,000	400,000	0	2.85	600,000
Yuan Xikun	Secretary to the Board	0	0	0	0	0	0	4.98	300,000	120,000	0	2.85	180,000
Total	—	0	0	0	0	—	0	—	42,300,000	16,920,000	0	—	25,380,000
Remarks	(if any)	Nil											

XI. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measures of the Company *(Continued)*

1. Equity incentives *(Continued)*

Assessment and incentive mechanism for the Senior Management

The Senior Management of the Company is assessed on monthly and annually basis. Monthly assessments were conducted in line with the direction of the annual major tasks, and were focused on appraisals of two fixed indicators, namely the completion status of each month and the evaluation on important performance indicators. It was carried out monthly by way of cross assessment and supervision among the related departments. The annual assessments were carried out by the Remuneration and Assessment Committee with reference to the results of monthly assessments and overall performances during the year, including the integrated quality of Senior Management and internal training of talents.

2. Implementation of employee shareholding plans

Applicable Not applicable

3. Other employee incentive measures

Applicable Not applicable

VI Corporate Governance

XII. Construction and implementation of internal control system during the reporting period

1. Construction and implementation of internal control system

During the reporting period, in accordance with the Basic Internal Control Norms for Enterprises and its supporting guidelines, taking internal and external environment, internal organisation and management requirements into account, the Company updated and improved its internal control system in a timely manner, comprehensively reviewed and revised the daily work and business flows and internal control systems of each department and business segment of the Company, supplemented and revised the relevant content of the Internal Control Management Manual, and established a scientifically designed, concise and applicable internal control system with effective operation.

The internal control of the Company was able to cover the main aspects of the Company's operation and management, and there were no major omissions. The units, businesses and events included in the evaluation scope and high-risk areas covered the main aspects of the Company's operation and management, and there were no major omissions. The design of the internal control system of the Company was sound and reasonable. The implementation of internal controls was effective and there were no major omissions.

Through the operation, analysis and evaluation of the internal control system, the Company effectively prevented risks in operation and management and promoted the realisation of internal control objectives.

2. Particulars of material deficiencies in internal control detected during the reporting period

Yes No

XIII. The Company's management and control of subsidiaries during the reporting period

Name of the company	Integration plan	Integration progress	Issue encountered	Implemented solution	Solution progress	Follow-up solution
			during integration			
Shanxi Fuyin Industrial Trading Co., Ltd.	In December 2022, the leasing company acquired 100% equity interest in	Completed	Nil	N/A	N/A	N/A
Chongmin Culture Development (Shanghai) Co., Ltd.	Shanxi Fuyin, which holds 100% equity interest in Chongmin Culture. The major asset of Chongmin Culture is a comprehensive property integrating commercial, office and apartment purposes located at Xinzhuang Business District, Minhang District, Shanghai, the business, assets, finance and personnel of which have been fully taken over by the Company, and the project is currently under construction as scheduled.	Completed	Nil	N/A	N/A	N/A

VI Corporate Governance

XIV. Self-assessment report on internal control or auditor's report on internal control

1. Self-assessment report on internal controls

Date of disclosure of assessment report on internal controls	31 March 2023
Index of assessment report on internal controls disclosure	http://www.cninfo.com.cn
Percentage of total assets included in assessment to total assets in consolidated financial statements of the Company	99.80%
Percentage of revenue included in assessment to revenue in consolidated financial statements of the Company	99.10%

Type	Basis for identifying deficiencies	
	Financial reporting	Non-financial reporting
Qualitative criteria	<p>① Indicators of material deficiencies in the internal control of financial reporting include: ineffective control environment, material loss to and adverse impact on the Company as a result of misconduct by Directors, Supervisors and Senior Management; material misstatement of non-exceptional incidents; ineffectiveness in supervision of internal control of the Company by the Board, or its delegated authorities, and the internal audit department.</p> <p>② Indicators of major deficiencies in internal control of financial reporting include: failure in selecting and applying accounting policies in accordance with generally accepted accounting principles; failure to establish procedures and control measures to prevent corrupt practices; failure to establish corresponding control mechanism for the accounting of unusual or special transactions or failure to implement or set up the corresponding compensation control; failure to reasonably ensure the truthfulness and accuracy in the preparation of financial statement, as a result of one or more deficiencies in the control of financial reporting as of the end of the period.</p> <p>③ General deficiencies: other deficiencies in internal control that do not constitute material or major deficiencies.</p>	<p>Indicators of material deficiencies in the internal control of non-financial reporting include: major failure as a result of the decision making process; lack of control system or occurrence of systematic failure in principal activities and lack of effective compensation control, high turnover rate of mid to senior level management and senior technical staff; failure to address the findings of internal control assessment, in particular material deficiencies; and other factors which impose material adverse impact on the Company.</p> <p>Indicators of major deficiencies in internal control of non-financial reporting include: general failure as a result of the decision-making process; deficiencies in major business procedure or system; high turnover rate of key staff; failure to address the findings of internal control assessment, in particular major deficiencies; and other factors which impose great adverse impact to the Company.</p> <p>Indicators of general deficiencies in internal control of non-financial reporting include: low efficiency of decision-making process; deficiencies in general business procedure or system; high turnover rate of employees; and failure to rectify general deficiencies.</p>
Quantitative criteria	General deficiencies: deviation of less than or equal to 0.1% from the target of accounting error/the total revenue; Major deficiencies: deviation of 0.1% – 0.5% from the target of accounting error/the total revenue; material deficiencies: deviation greater than 0.5% from the target of accounting error/the total revenue.	General deficiencies: quantitative criterion (financial loss) less than RMB5,000,000; major deficiencies: quantitative criterion (financial loss) between RMB5,000,000 and RMB20,000,000; material deficiencies: quantitative criterion (financial loss) over RMB20,000,000.
Number of material deficiencies in financial reporting		0
Number of material deficiencies in non-financial reporting		0
Number of major deficiencies in financial reporting		0
Number of major deficiencies in non-financial reporting		0

VI Corporate Governance

XIV. Self-assessment report on internal control or auditor's report on internal control *(Continued)*

2. Auditor's report on internal control

Applicable Not applicable

Auditor's opinion contained in the auditor's report on internal control

We are of the opinion that Shandong Paper Company had in all material aspects maintained effective internal control over the financial statements in accordance with the Basic Internal Control Norms for Enterprises as of 31 December 2022.

Disclosure of auditor's report on internal control	Disclosed
Date of disclosure of auditor's report on internal control	31 March 2023
Index of auditor's report on internal control disclosure	http://www.cninfo.com.cn
Type of opinion in auditor's report on internal control	Standard and unqualified opinion
Material deficiencies in non-financial reporting	No

Any opinions of non-standardisation set out in the auditor's report on internal control issued by accountants

Yes No

Auditor's report on internal control issued by accountants was in line with Directors' opinions contained in self-assessment report

Yes No

XV. Rectification of problems found in self-inspection under the special initiative on corporate governance of the listed company

Not applicable

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited

(i) Compliance with the Code on Corporate Governance

The Company maintained high standards of corporate governance through various internal controls. The Board reviewed the corporate governance practices of the Company from time to time to enhance the corporate governance standards of the Company.

Save for the details set out in III Board, IV Chairman and General Manager and XVII Communications with shareholders in this section, the Company had fully complied with all the principles and code provisions of the Code on Corporate Governance as set out in Appendix 14 to the Hong Kong Listing Rules during the reporting period.

(ii) Securities transactions by Directors

The Directors of the Company confirmed that the Company had adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules. Having made adequate enquiries with all Directors and Supervisors of the Company, the Company was not aware of any information that reasonably suggested that the Directors and Supervisors had not complied with the requirements as stipulated in this code during the reporting period.

(iii) Board

The members of the Board of the Company are elected at the general meeting and held accountable to the general meeting, and shall exercise the following functions and powers: (1) to be responsible for convening the general meeting and to report on its work to the general meeting; (2) to carry out the resolutions of general meetings; (3) to decide on the business plans and investment proposals of the Company; (4) to formulate the proposed annual financial budget and final accounts of the Company; (5) to formulate the plan for profit distribution and the plan making up losses of the Company; (6) to formulate plans for the increase or reduction in the registered capital of the Company and for the issue and listing of Company's debentures or other securities; (7) to draft plans for material acquisition and repurchase of the Company's ordinary shares; (8) to draft plans for the merger, division or dissolution or the change of formation of the Company; (9) to decide on external investment, acquisition and disposal of assets, pledge of assets, matter in relation to external guarantee, entrusted wealth management, connected transactions, etc. within the scope of mandate of the general meeting; (10) to decide on the establishment of the Company's internal management organisation; (11) to employ or dismiss the manager or secretary to the Board of the Company; to employ or dismiss the Senior Management, such as the deputy general manager(s) and personnel in charge of financial affairs, as proposed by the general manager; and to decide on their remuneration and rewards and punishments; (12) to formulate the basic management system of the Company; (13) to formulate proposals for amending the Articles of Association; (14) to administrate matter related to information disclosure of the Company; (15) to propose to the general meeting for the engagement or replacement of accounting firm performing audit for the Company; (16) to review work reports from managers of the Company and to inspect on their work; (17) to exercise the functions and powers as conferred upon by the Articles of Association or the general meeting.

As regards its corporate governance functions, the Board is responsible for: (1) formulating, reviewing and making recommendations on the Company's corporate governance policies and practices; (2) reviewing and monitoring the training and continuous professional development of the Directors and Senior Management of the Company; (3) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (4) formulating, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors of the Company; and (5) reviewing the Company's compliance with the Code on Corporate Governance and disclosure in the Corporate Governance Report. During the reporting period, the Board had performed the above duties.

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(iii) Board (*Continued*)

The Board comprised five executive Directors: Chen Hongguo (Chairman), Hu Changqing, Li Xingchun, Li Feng and Li Weixian; two non-executive Directors: Han Tingde and Li Chuanxuan; and four independent non-executive Directors: Li Zihui, Sun Jianfei, Yin Meiqun and Yang Biao. Please refer to part V of this section for their brief biographies.

The Board is responsible for leading and monitoring the Company, and is wholly responsible for the administration and supervision of the Company's businesses to facilitate its success. The Executive Director or the Senior Management is authorised to be responsible for the various divisions and functions and management of the processing. Directors of the Company shall act objectively and make decisions in the interests of the Company. The management and the Senior Management of the Company held regular meetings with the Board to discuss the ordinary business operations and performance of the Company, and carried out the relevant decisions of the Board. The management and the Senior Management of the Company have to get prior approval from, among others, the Board, before they make any decision or enter into any commitment on behalf of the Company. The Company will arrange independent legal advice upon the request from the Directors or any committees of the Board, if the Board or any committees of the Board consider it necessary to seek for independent professional advice.

Pursuant to Code C.1.8 of the code provisions, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. During the reporting period, the Company arranged director liability insurance for Directors to safeguard the rights and interests of Directors to perform their duties in compliance.

During the reporting period, the Board held 12 meetings, 5 of which were regular meetings and 7 were extraordinary meetings. None of the Directors were absent from any Board meetings.

Name	Position	Attendance at the relevant meetings (attention required/attended)					
		Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration and Assessment		General meetings
					Committee meetings	Strategic Committee meetings	
I. Executive Directors							
Chen Hongguo	Chairman	12/12	N/A	1/1	N/A	1/1	3/0
Hu Changqing	Vice chairman	12/12	N/A	N/A	N/A	1/1	3/3
Li Xingchun	Vice chairman	12/12	N/A	N/A	3/3	N/A	3/3
Li Feng	Executive Director	12/12	N/A	N/A	N/A	N/A	3/3
Li Weixian	Executive Director	8/8	N/A	N/A	N/A	N/A	2/2
II. Non-executive Directors							
Li Chuanxuan	Director	12/12	2/2	N/A	N/A	N/A	3/3
Han Tingde	Director	12/12	N/A	N/A	N/A	N/A	3/3
III. Independent non-executive Directors							
Li Zihui	Independent Director	8/8	2/2	N/A	N/A	N/A	2/2
Sun Jianfei	Independent Director	12/12	4/4	1/1	3/3	N/A	3/3
Yin Meiqun	Independent Director	12/12	4/4	1/1	N/A	N/A	3/3
Yang Biao	Independent Director	12/12	N/A	N/A	3/3	1/1	3/3

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(iii) Board (*Continued*)

Save for those disclosed in the brief profile of Directors of the Company in this Report, none of the members of the Board had any financial, business, family relations or material connections with each other.

The Board held 5 regular meetings during the year, each by giving a 10-day notice in advance to ensure that all Directors could participate in discussions of matters in the agenda. Reasonable prior notification was given for the other meetings of the Board to ensure all Directors could take time to attend.

All Directors had access to opinions and services of the secretary to the Board to ensure the procedures governing the Board and all applicable regulations and rules were complied with.

Directors' training and professional development

All newly appointed Directors are provided with necessary orientation information, with an aim to ensure that they will have a better understanding of operations and business of the Company as well as relevant laws and regulations and obligations under the Listing Rules.

Directors and Supervisors of the Company were arranged by the Company to attend training courses 2022 for directors and supervisors held by China Securities Regulatory Commission, Shandong; and, briefing paper in respect of amendments to Hong Kong Listing Rules prepared by Advisor to Hong Kong Law of the Company was distributed to all Directors and Supervisors, the above of which were to ensure all Directors and Supervisors to comply with relevant laws and sound corporate governance practice, and enhance their awareness of sound corporate governance practice.

(iv) Chairman and general manager

Mr. Chen Hongguo is the Chairman and general manager of the Company. Please refer to part V of this section for his brief biographies.

According to the Articles of Association of the Company, the chairman shall exercise the following powers: (1) presiding over general meetings, and convening and presiding over Board meetings; (2) supervising and inspecting the implementation of the resolutions of the Board; (3) signing the shares, the securities and bonds issued by the Company; (4) signing important documents of the Board and other documents which are required to be signed by legal representative of the Company; (5) performing the powers of a legal representative; (6) nominating candidates for general manager for the Board; (7) exercising the special right to operate the Company in accordance with the laws and acting for the benefits of the Company in the event of emergency situation as a result of act of God or natural disaster, and reporting to the Board meetings and general meeting afterwards; and (8) exercising other powers authorised by the Board.

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(iv) Chairman and general manager (*Continued*)

The general manager of the Company exercises the duties of a chief executive officer. The general manager shall exercise the following powers: (1) in charge of the operation and management of the Company, and organising the implementation of the resolutions of the Board; (2) organising the implementation of the Company's annual business plans and investment plans; (3) drafting plans for the establishment of the internal organisational structure of the Company; (4) drafting the basic management system of the Company; (5) formulating specific rules and regulations for the Company; (6) proposing the appointment or dismissal of the deputy general manager and chief financial officer; (7) appointing or dismissing management personnel other than those required to be appointed or dismissed by the Board; (8) proposing the wages, welfare, rewards, and penalties of staff and to decide the appointment or dismissal of staff of the Company; (9) proposing the convening of extraordinary meeting of the Board; and (10) exercising other powers conferred by the Articles of Association of the Company and the Board.

Mr. Chen Hongguo is the chairman and general manager of the Company. The Board believes that Mr. Chen Hongguo has a thorough understanding of the culture and the operation model of the Company. As the Chairman and general manager of the Company, he can facilitate the planning and implementation of the business strategies of the Group, which is more conducive to the management and operational efficiency of the Group. The responsibilities of the Chairman and the general manager are clearly defined and the Board structure of the Company ensures a balance of power and provides sufficient checks and balances, thus effectively safeguarding the interests of the Company and investors.

(v) Independent non-executive Directors

There are four independent non-executive Directors in the Board, which is in compliance with the minimum requirement of the number of independent non-executive directors set out in the Hong Kong Listing Rules. Yin Meiqun and Sun Jianfei, the independent non-executive Directors of the Company, have appropriate accounting or related financial management expertise, which is compliance with the requirement of Rule 3.10 of the Hong Kong Listing Rules. Please refer to part V of this section for their brief biographies. The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to Rule 3.13 of the Hong Kong Listing Rules and considered all of the independent non-executive Directors to be independent during the year.

(vi) Terms of Directors

According to the Articles of Association of the Company, all Directors, including non-executive Directors, have been elected at the general meetings with a term of three years from June 2022 to June 2025. They may be re-elected for another term upon expiry of tenure. The term of office of independent non-executive Directors is the same as that of other Directors. They may be re-elected for consecutive terms, but the consecutive terms shall not be more than six years.

(vii) Directors' responsibility for the financial statements

The Directors acknowledged their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. The Directors believed that the Company had adopted and applied consistently appropriate accounting policies in preparing the financial statements in compliance with all related accounting standards.

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(viii) Board committees

Pursuant to Code on Corporate Governance, the Board has established four committees, namely, Audit Committee, Remuneration and Assessment Committee, Strategic Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. Each Board Committee has its own defined written terms of reference. The written terms of reference of each Board Committee are published on websites of stock exchange and the Company.

Save for requirements of Code on Corporate Governance, the Company also set up Strategic Committee, for overseeing and studying long-term strategic development plan of the Company and making recommendations.

(ix) Audit Committee

The Audit Committee of the Company comprises three members. The members of the ninth session of the Audit Committee of the Board included Yin Meiqun (as the chairman), Li Chuanxuan and Sun Jianfei. Two of them, including the chairman, are independent non-executive Directors. On 15 June 2022, the Company completed the election of the new session of the Board, and convened the first meeting of the tenth session of the Board on the same day to consider and elect the members of the Audit Committee of the new session of the Board, including Yin Meiqun (as the chairman), Li Zhihui and Sun Jianfei, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are serving as a communication media between internal and external audit and the related review and supervision. Yin Meiqun and Sun Jianfei have appropriate professional qualifications or appropriate accounting or related financial management expertise, which is in compliance with the requirement of the Hong Kong Listing Rules.

The primary duties of the Audit Committee of the Company are: (1) supervising and evaluating the work of the external auditor; (2) supervising and evaluating the internal audit; (3) reviewing the financial reports of the Company and express opinions on them; (4) supervising and evaluating the internal control of the Company; (5) coordinating the communication between management, internal audit department and relevant departments and external audit; (6) dealing with other matters as delegated by the Board and other matters involved in laws and regulations and the regulations of Shenzhen Stock Exchange.

The Audit Committee discussed with the management of the Company the accounting standards and practices adopted by the Group and discussed and reviewed this report, including the review of the financial statements of the Group for the year ended 31 December 2022 prepared in accordance with China Accounting Standards for Business Enterprises.

Particulars of the meetings held by the Audit Committee during the reporting period are detailed in part VII of this section.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the Audit Committee reviews the adequacy and effectiveness of the risk management and internal control systems at least once a year. The management has provided confirmation to the Audit Committee (and the Board) on the adequacy and effectiveness of these systems for the year ended 31 December 2022. The Audit Committee (as well as the Board) was satisfied with the adequacy and effectiveness of the related systems.

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited *(Continued)*

(ix) Audit Committee *(Continued)*

Risk Management and Internal Control *(Continued)*

In respect of internal control system, procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations.

(x) Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Company comprises three members, including Yang Biao (as the chairman), Li Xingchun and Sun Jianfei. Two of them, including the chairman, are independent non-executive Directors, which is in compliance with Code on Corporate Governance Practices. The Remuneration and Assessment Committee is primarily responsible for formulating the criteria of appraisal of the Directors and managers and conducting the appraisal, and studying and formulating the remuneration policy and package of the Directors and the Senior Management of the Company. The Remuneration and Assessment Committee is accountable to the Board.

The primary duties of the Remuneration and Assessment Committee of the Company are: (1) formulating the remuneration plan or package based on the major scope of work, duties and importance of the Directors and the management and the remuneration level of other counterparts; (2) formulating the remuneration plan or package which mainly includes but not limited to standards, procedures and a system for performance appraisals as well as major plans and a system for rewards and sanctions; (3) examining the performance of the Directors, excluding the independent non-executive Directors, and the Senior Management and conduct annual performance appraisals for them; (4) supervising the implementation of the remuneration policy of the Company; and (5) dealing with other matters as delegated by the Board.

Particulars of the meetings held by the Remuneration and Assessment Committee during the reporting period are detailed in part VII of this section.

(xi) Nomination Committee

The Nomination Committee of the Company comprises three members. The Nomination Committee of the ninth session of the Board includes Sun Jianfei (as the chairman), Chen Hongguo and Yin Meiqun. Two of them, including the chairman, are independent non-executive Directors. On 15 June 2022, the Company completed the election of the new session of the Board, and convened the first meeting of the tenth session of the Board on the same day to consider and elect the members of the Nomination Committee of the new session of the Board, including Li Zhihui (as the chairman), Chen Hongguo and Yin Meiqun. Two of them, including the chairman, are independent non-executive Directors, which is in compliance with Code on Corporate Governance Practices. The Nomination Committee is primarily responsible for selecting candidates for directors and the management of the Company, determining the selection criteria and procedure and making recommendations.

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(xi) Nomination Committee (*Continued*)

The primary duties of the Nomination Committee are (1) advising the Board on the size and composition of the Board in light of the Company's operating activities, asset scale and shareholding structure; (2) studying the selection criteria and procedure for Directors and the management and advising the Board on the same; (3) extensively identifying qualified candidates for Directors and the management; (4) examining candidates for Director and the management and advising on the same; (5) examining other Senior Management staff pending referral to the Board for decision on their employment and advising on the same; (6) advising to the Board on appointment and re-appointment of directors and on skills, knowledge, experience, background, gender and other characteristics required in serving as a director taking into consideration diversity, balance and efficiency of the Board and benefits thereto; (7) reviewing the Board diversity policy, revising thereon in a timely manner and making relevant disclosure in the corporate governance report in the corresponding annual report; and (8) dealing with other matters as delegated by the Board.

During the reporting period, the Nomination Committee, after studying the needs of the Company for new Directors and managerial personnel and taking into consideration the Board diversity policy, identified suitable candidates for Director and managerial positions through various channels (including from the Group internally and from the human resources market). Upon acceptance of nomination by the nominated person, the Nomination Committee performed qualification review on preliminary candidates by holding meetings, review criteria include the academic qualifications, relevant experience and specialised skills of the preliminary candidates. One to two months prior to election of new Directors, the Nomination Committee submitted recommendations and relevant materials of the directorial candidates to the Board; prior to engaging new Senior Management, the Nomination Committee submitted recommendations and relevant materials of the new Senior Management personnel to the Board.

Particulars of the meetings held by the Nomination Committee during the reporting period are detailed in part VII of this section.

(xii) Strategic Committee

The Company set up a Strategic Committee which comprised three members, including Chen Hongguo (as the chairman), Hu Changqing and Yang Biao. The Strategic Committee is primarily responsible for studying the long term strategic development and major investments of the Company and making recommendations.

The primary duties of the Strategic Committee are (1) conducting research and submitting proposals regarding the long term development strategic plan; (2) conducting research and submitting proposals regarding the financing plans for major investments which require approval from the Board as stipulated in the Articles of Association of the Company; (3) conducting research and submitting proposals regarding major capital operations and assets operation projects which require approval from the Board as stipulated in the Articles of Association of the Company; (4) conducting research and submitting proposals regarding other material matters that may affect the development of the Company; (5) carrying out examination on the implementation of the above matters; (6) dealing with other matters as delegated by the Board.

Particulars of the meetings held by the Strategic Committee during the reporting period are detailed in part VII of this section.

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(xiii) Auditor

On 19 June 2020, the Company convened the 2019 annual general meeting, and considered and approved the Resolution in relation to the Appointment of the Auditor for 2020, and continued to engage Grant Thornton (Special General Partnership) as the domestic auditor of the Company for 2020 and be responsible for domestic auditing of the Company for 2020.

On 18 June 2021, the Company convened the 2020 annual general meeting, and considered and approved the Resolution in relation to the Appointment of the Auditor for 2021, and continued to engage Grant Thornton (Special General Partnership) as the domestic auditor of the Company for 2021 and be responsible for domestic auditing of the Company for 2021.

On 11 May 2022, the Company convened the 2021 annual general meeting, and considered and approved the Resolution in relation to the Appointment of the Auditor for 2022, and continued to engage Grant Thornton (Special General Partnership) as the domestic auditor of the Company for 2022 and be responsible for domestic auditing of the Company for 2022.

(xiv) Remuneration for the Auditor

The financial statements for 2022 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Grant Thornton (Special General Partnership). In 2022, the Company paid the auditor a total of RMB2.5 million (tax inclusive; tax exclusive amount: RMB2.3585 million) in respect of financial statements audit for 2021 and a total of RMB0.8 million (tax inclusive; tax exclusive amount: RMB0.7547 million) in respect of audit services in relation to internal control for 2021.

Grant Thornton (Special General Partnership) has stated their reporting responsibilities on the financial statements of the Group in XII. Financial Report of this annual report.

In addition to the aforesaid annual financial report and internal control audit fees paid to Grant Thornton (Special General Partnership) totaling RMB3.1132 million (tax exclusive), other tax-exclusive audit expenses incurred due to the audit of R&D expenses and the audit of income tax settlement and payment totaled RMB2.5156 million.

(xv) Supervisors and Supervisory Committee

The Supervisory Committee comprises three shareholder representatives and two employee representatives. The shareholder representative Supervisors shall be elected and removed at a general meeting and the employee representative Supervisors shall be elected and removed democratically by the employees of the Company. During the reporting period, the Supervisory Committee of the Company convened 8 meetings, and all Supervisors attended Supervisory Committee meetings convened during the year, and carefully reviewed the 2021 Annual Report, 2022 First Quarterly Report, 2022 Interim Report and 2022 Third Quarterly Report, and issued special opinions. The Supervisory Committee is accountable to the shareholders. It monitors the financial position of the Company and the performance of the Directors, managers and Senior Management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations to protect the lawful rights of the Company and the shareholders.

(xvi) Company Secretary

During the year, the company secretary confirmed that he has received relevant professional training for not less than 15 hours in accordance with Rule 3.29 of the Listing Rules.

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(xvii) Communications with Shareholders

The Company considers effective communication with Shareholders is essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. Principal means of communication with Shareholders of the Company are as follows:

Information disclosure on the Company's website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. The Company maintains its website at www.chenmingpaper.com where important information about the Group's activities and corporate matters such as annual reports and interim reports to Shareholders, announcements, business development and operations, corporate governance practices and other information are available for review by Shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

General meetings

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Various resolutions are proposed on each substantially separate issue at the general meetings. Save for the annual general meeting held on 11 May 2022 by the Company, two extraordinary general meetings were convened in 2022. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
2021 annual general meeting	Hu Changqing, Li Chuanxuan, Li Feng, Han Tingde, Li Chuanxuan, Sun Jianfei, Yin Meiqun, Yang Biao
2022 first extraordinary general meeting	Hu Changqing, Li Chuanxuan, Li Feng, Han Tingde, Li Chuanxuan, Sun Jianfei, Yin Meiqun, Yang Biao;
2022 second extraordinary general meeting	Li Zhihui (Director candidate), Li Weixian (Director candidate) Hu Changqing, Li Chuanxuan, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yin Meiqun, Yang Biao

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited *(Continued)*

(xvii) Communications with Shareholders *(Continued)*

General meetings *(Continued)*

The Company's external auditor also attended the Annual General Meeting and scrutinised voting.

Code F.2.2 of the code provisions – This code provision requires the chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the annual general meeting.

Mr. Chen Hongguo, the chairman of the Company and the chairman of the Strategic Committee, was absent from the annual general meeting due to business commitments.

Code C.1.6 of the code provisions – This code provision requires independent non-executive directors and other non-executive directors, as equal board members, should give the board of the directors and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

During the year, all independent non-executive Directors and other non-executive Directors of the Company attended the all general meetings without absence.

Voting by poll

Resolutions put to vote at the general meetings of the Company are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day.

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(xvii) Communications with Shareholders (*Continued*)

Shareholders' right

1. *Procedures for convening an extraordinary general meeting by Shareholder*

Pursuant to Article 100 of the Articles of Association of the Company, Shareholder(s) alone or in aggregate holding 10% or more of the Company's voting shares shall be entitled to request the Board to convene extraordinary general meetings, provided that such request shall be made in writing. The Board shall, in accordance with provisions of the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten days after receiving such proposal of the same.

In the event that the Board agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after the passing of the relevant resolution of the Board. Any changes in the original request made in the notice shall require prior approval of Shareholders concerned.

In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within ten days after receiving such proposal, Shareholder(s) alone or in aggregate holding 10% or more of the Company's Shares shall be entitled to propose to the Supervisory Committee the convening of extraordinary general meeting, provided that such proposal shall be made in writing.

In the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after receiving such request. Any changes in the original request made in the notice shall require prior approval of Shareholders concerned.

Failure of the Supervisory Committee to issue a notice of general meeting within the stipulated period shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and Shareholder(s) alone or in aggregate holding 10% or more of the Company's voting shares for ninety consecutive days or more shall be entitled to convene and preside over the meeting on a unilateral basis.

Pursuant to Article 101 of the Articles of Association of the Company, if Shareholders determine to convene a general meeting on their own, they shall give a written notice to the Board and file the same with the stock exchange for records. The shareholding percentage of shareholders who convened shall not be lower than 10% prior to the announcement of resolutions of the general meeting.

Shareholders who convened shall submit relevant certifications to the stock exchange upon the issuance of the notice of general meeting and the announcement of resolutions of the general meeting.

Pursuant to Article 102 of the Articles of Association of the Company, the Board and its secretary shall cooperate with respect to matters relating to general meetings convened by Shareholders on their own. The Board shall provide Shareholder registers as of the date of shareholding register.

Pursuant to Article 103 of the Articles of Association of the Company, if a general meeting is convened by shareholders on their own, all necessary expenses incurred shall be borne by the Company.

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(xvii) Communications with Shareholders (*Continued*)

Shareholders' right (*Continued*)

2. *Procedures for sending shareholders' enquiries to the Board*

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary/Secretary to the Board whose contact details are as follows:

	Secretary to the Board	Hong Kong Company Secretary
Name	Yuan Xikun	Chu Hon Leung
Address	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	22/F, Universal Building, Central, Hong Kong
Telephone	0536-2158008	00852-21629600
Facsimile	0536-2158977	00852-25010028
Email	chenmmingpaper@163.com	liamchu@li-partners.com

The Company Secretary and the secretary to the Board shall forward shareholders' enquiries and concerns to the Board and/or relevant Board Committees of the Company, where appropriate, to answer shareholders' questions.

3. *Procedures for putting forward proposals of Shareholders at general meetings*

Pursuant to Article 111 of the Articles of Association of the Company, shareholders individually or jointly holding over 3% of the total shares of the Company are entitled to propose motions to the Company.

Shareholders individually or jointly holding over 3% of the total shares of the Company may submit extraordinary motions to the convener ten days before the convening of the General Meeting. The convener shall issue supplementary notice of the General Meeting to disclose the name of the shareholders who propose the extraordinary motions, their shareholding ratio and the specific content of the new motions within two days after receiving the proposed motions.

Save for provided above, the convener shall not amend proposals stated in the notice of general meeting or add new proposals therein following the notice of general meeting has been issued.

No voting or resolution shall be effected or adopted at the general meeting for proposals that have not been stated in the notice of general meeting or that do not comply with provisions of the Articles of Association. Extraordinary general meeting shall not resolve issues that are not contained in the notice.

Relationships with investors

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are received and visited at appropriate times to explain the Group's business. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases, great care is taken to ensure that no price-sensitive information is disclosed selectively.

The Board has reviewed the interaction with Shareholders during the reporting period, and is satisfied with the implementation of the shareholder communications policy of the Company and its effectiveness.

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(xviii) Internal Control

For details of internal control of the Company, please refer to XII. Internal control system development and implementation during the reporting period and XIV. Self-assessment report on internal control or auditor's report on internal control of this section.

(xix) Articles of Association

On 11 May 2022, 15 June 2022 and 18 July 2022, the Company amended the new Articles of Association. The amendments were primarily relating to deletion of the chapters in relation to preference shares, and contents including guarantees, relevant duty performance regulations for independent Directors, the number of Board members, changes in shares after repurchase and cancellation of certain restricted shares, etc. The Memorandum of Association and the amended version of the new Articles of Association of the Company are available on websites of the Company and Stock Exchange.

(xx) Board Diversity

On 21 August 2013, the Company formulated policies to diversify Board members and amended the implementing rules of the nomination committee. Pursuant to the new policies, the nomination committee shall regularly review the Board diversity policy to improve efficiency and ensure interest thereof.

Such policies are summarised as follows:

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, backgrounds, genders and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, and in the context of the talents, skills and experience of the Board as a whole.

The Nomination Committee of the Company reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation those described above, in order to maintain an appropriate range and balance of talents, skills, experience and backgrounds on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. As at the date of the report, the Board is composed of 10 male Directors and 1 female Directors. The Nomination Committee and the Board will seize the opportunity to gradually increase the proportion of female Directors in the Board when they select and recommend a suitable Director candidate.

The composition of the Board of the Company is basically diversified. For details, please refer to (iii) Board of this section.

VI Corporate Governance

XVI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Continued*)

(xxi) Dividend policy

During the reporting period, as the domestic market demand was insufficient due to the economic environment, the sales volume of machine-made paper decreased year on year. At the same time, due to the rising prices of wood chips, chemicals, raw coal and other raw materials as well as energy prices, the Company faced great cost pressure. The net profit attributable to shareholders of the Company for the reporting period decreased as compared with the corresponding period of the prior year. Considering factors such as the current macroeconomic environment and the Company's strategic planning, the Board proposed not to pay cash dividend, issue bonus shares and increase share capital from reserves for 2022 to further reduce its liability size, optimise its capital structure, enhance the Company's financial resilience, and satisfy the capital needs for, among other things, day-to-day production and operation, and project construction, thereby enhancing risk resistance, securing the sustainable and steady development of the pulp production and paper making business, the principal business of the Company, and better safeguarding the long-term interests of all shareholders.

VII Environment and Social Responsibility

I. Major environmental protection matters

Are the Company and its subsidiaries classified as key pollutant discharging unit as specified by environmental protection authority?

Yes No

Environmental protection related policies and industry standards

1. The Company, during its own production and operation process, strictly abides by relevant environmental protection laws and regulations as follows:

The Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Air Pollution of the People's Republic of China, the Law on the Prevention and Control of Water Pollution of the People's Republic of China, the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China, the Law on Noise Pollution Prevention and Control of the People's Republic of China, Regulations on the Administration of Pollutant Discharge Permit, and Regulations on Groundwater Management, and the Measures for the Emergency Administration of Environmental Contingencies.

2. The Company strictly implements national, industry and local standards for pollutant discharge as follows:

Exhaust gas: Integrated Emission Standard of Air Pollutants (GB 16297-1996), Emission Standard of Air Pollutants for Thermal Power Plants (GB 13223-2011), Emission Standard for Odor Pollutants (GB 14554-93), Emission Standard of Air Pollutants for Boilers (DB44/765-2019), Emission Standard of Air Pollutants for Thermal Power Plants (DB37/664-2019), Regional and Integrated Emission Standard of Air Pollutants (DB37/2376-2019), and Emission Standard of Air Pollutants for Building Materials Industry (DB37/2373-2018).

Wastewater: Integrated Wastewater Discharge Standard (GB 8978-1996), Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T 31962-2015), Discharge Standard of Water Pollutants for the Pulp and Paper Industry (GB 3544-2008) and Discharge Limits of Water Pollutants (DB44/26-2001), and the wastewater influent standard of local wastewater treatment plants.

Noise: Emission Standard for Industrial Enterprises Noise at Boundary (GB 12348-2008).

Environmental protection administrative licensing

The issue dates and the validity periods of pollution discharge permits of subsidiaries are as follows:

Shandong Chenming Paper Holdings Limited: Issued on 7 December 2021 and valid up to 26 December 2026.

Shouguang Meilun Paper Co., Ltd.: Issued on 7 December 2021 and valid up to 26 December 2026.

Jiangxi Chenming Paper Co., Ltd.: Issued on 11 June 2020 and valid up to 27 June 2025.

Jilin Chenming Paper Co., Ltd.: Issued on 10 December 2021 and valid up to 9 December 2026.

Zhanjiang Chenming Pulp & Paper Co., Ltd.: Issued on 30 May 2022 and valid up to 29 May 2027.

Huanggang Chenming Pulp & Paper Co., Ltd.: Issued on 14 September 2021 and valid up to 13 September 2026.

Wuhan Chenming Hanyang Paper Holdings Co., Ltd.: Issued on 26 April 2020 and canceled due to the suspension of production on 29 December 2022.

VII Environment and Social Responsibility

Industry emission standards and the status of pollutant emissions involved in production and operation activities

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission		Approved total emissions	Excessive emissions
							standards implemented	Total emissions		
Shandong Chenming Paper Holdings Limited	Exhaust gas	SO ₂	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 10.5mg/m ³ Power plant no. 2: 10.7mg/m ³	35mg/m ³	Power plant no. 1: 17.1t Power plant no. 2: 19.6t	160.32t/year	No
	Exhaust gas	NO _x	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 39.2mg/m ³ Power plant no. 2: 39.4mg/m ³	50mg/m ³	Power plant no. 1: 63.8t Power plant no. 2: 72.0t	233.91t/year	No
	Exhaust gas	Particulates	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 0.467mg/m ³ Power plant no. 2: 0.876mg/m ³	5mg/m ³	Power plant no. 1: 0.679t Power plant no. 2: 1.61t	23.39t/year	No
	Wastewater	COD	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 175mg/L Sewage outlet no. 2: 179mg/L	300mg/L	Sewage outlet no. 1: 1,609t Sewage outlet no. 2: 2,088t	6,510.74t/year	No
	Wastewater	Ammonia nitrogen	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 5.28mg/L Sewage outlet no. 2: 1.57mg/L	30mg/L	Sewage outlet no. 1: 47.5t Sewage outlet no. 2: 18.2t	650.7t/year	No
	Wastewater	Total nitrogen	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 15.5mg/L Sewage outlet no. 2: 15.2mg/L	70mg/L	Sewage outlet no. 1: 136 噸 Sewage outlet no. 2: 171 噸	1519.1 t/year	No
Shouguang Meilun Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 11.8mg/m ³ Power plant no. 2: 12.6mg/m ³ Alkali recovery: 1.62mg/m ³ Lime kiln: 7.54mg/m ³	35mg/m ³ (self-owned power plant), 50mg/m ³ (chemical pulp mill)	Power plant no. 1: 21.6t Power plant no. 2: 25.3t Alkali recovery: 15.5t Lime kiln: 10.7t	342.89t/year	No
	Exhaust gas	NO _x	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 31.1mg/m ³ Power plant no. 2: 30.2mg/m ³ Alkali recovery: 76.4mg/m ³ Lime kiln: 32.7mg/m ³	50mg/m ³ (self-owned power plant), 100mg/m ³ (chemical pulp mill)	Power plant no. 1: 55.1t Power plant no. 2: 57.0t Alkali recovery: 733t Lime kiln: 47.4t	1,202.75t/year	No
	Exhaust gas	Particulates	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 0.46mg/m ³ Power plant no. 2: 0.804mg/m ³ Alkali recovery: 0.568mg/m ³ Lime kiln: 0.870mg/m ³	5mg/m ³ (self-owned power plant), 10mg/m ³ (chemical pulp mill)	Power plant no. 1: 0.847t Power plant no. 2: 1.54t Alkali recovery: 5.41t Lime kiln: 1.18t	121.979t/year	No

VII Environment and Social Responsibility

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Exhaust gas	SO ₂	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 3.25mg/m ³ 75T/h furnace: 7.36mg/m ³	50mg/m ³	1.44381t	102.58t/year	No
	Exhaust gas	NO _x	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 55.13mg/m ³ 75T/h furnace: 46.15mg/m ³	100mg/m ³	14.8345t	205.16t/year	No
	Exhaust gas	Particulates	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 1.57 mg/m ³ 75T/h furnace: 5.18mg/m ³	20mg/m ³	0.89747t	41.032t/year	No
	Wastewater	COD	Direct emission	1	Total wastewater discharge	40.16mg/L	80mg/L	28.67t	184.3t/year	No
	Wastewater	Ammonia nitrogen	Direct emission	1	Total wastewater discharge	1.812mg/L	8mg/L	0.44t	17.3t/year	No
	Wastewater	Total nitrogen	Direct emission	1	Total wastewater discharge	5mg/L	12mg/L	4.95t	-	No
Jiangxi Chenming Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	1	Thermal power plant	240T/h furnace: 12.35mg/m ³	200mg/m ³	41.526t	806t/year	No
	Exhaust gas	NO _x	Organised emission	1	Thermal power plant	240T/h furnace: 29.05mg/m ³	200mg/m ³	97.6932t	806t/year	No
	Exhaust gas	Particulates	Organised emission	1	Thermal power plant	240T/h furnace: 4.6mg/m ³	30mg/m ³	15.4547t	135t/year	No
	Wastewater	COD	Direct emission	1	Total wastewater discharge	44.72mg/L	90mg/L	204.5406t	1,260t/year	No
	Wastewater	Ammonia nitrogen	Direct emission	1	Total wastewater discharge	1.13mg/L	8mg/L	5.1817t	112t/year	No
	Wastewater	Total nitrogen	Direct emission	1	Total wastewater discharge	4.93mg/L	12mg/L	21.754t	-	No
Jilin Chenming Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	3 (2 in use, 1 spare)	Within factory area	4.87mg/m ³	100mg/m ³	3.65t	97t/year	No
	Exhaust gas	NO _x	Organised emission	3 (2 in use, 1 spare)	Within factory area	32.07mg/m ³	100mg/m ³	23.76t	213t/year	No
	Exhaust gas	Particulates	Organised emission	3 (2 in use, 1 spare)	Within factory area	9.22mg/m ³	30mg/m ³	6.23t	51.66t/year	No
	Wastewater	COD	Indirect emission	1	Total wastewater discharge	126.58mg/L	500mg/L	558.46t	6,000t/year	No
	Wastewater	Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	1.6mg/L	45mg/L	7.13t	500t/year	No
	Wastewater	Total nitrogen	Indirect emission	1	Total wastewater discharge	5.93mg/L	50mg/L	24.65t	-	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	5	Within factory area	Power plant no. 1: 7.6mg/m ³ Power plant no. 2: 6.86mg/m ³ Power plant no. 3: 3.42mg/m ³ Power plant no. 4: 7.47mg/m ³	1#2#3#4# circulating fluidised bed boilers: 35mg/m ³	56.409t	620t/year	No
	Exhaust gas	NO _x	Organised emission	5	Within factory area	Alkali recovery: 123.04mg/m ³ Power plant no. 1: 12.12mg/m ³ Power plant no. 2: 9.71mg/m ³ Power plant no. 3: 8.05mg/m ³ Power plant no. 4: 6.53mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 50mg/m ³	1,302.598t	1,800t/year	No
	Exhaust gas	Particulates	Organised emission	5	Within factory area	Power plant no. 1: 1.81mg/m ³ Power plant no. 2: 1.08mg/m ³ Power plant no. 3: 0.76mg/m ³ Power plant no. 4: 0.93mg/m ³	1#2#3#4# circulating fluidised bed boilers: 10mg/m ³	11.853t	195.06t/year	No
	Wastewater	COD	Direct emission	1	Within factory area	39.14mg/L	90mg/L	778.432t	1943t/year	No
	Wastewater	Ammonia nitrogen	Direct emission	1	Within factory area	1.27mg/L	8mg/L	25.065t	43.9t/year	No
	Wastewater	Total nitrogen	Direct emission	1	Within factory area	4.82mg/L	12mg/L	96.167t	320.4t/year	No

VII Environment and Social Responsibility

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets		Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
						Emission concentration				
Huanggang Chenming Pulp & Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	1	Lime kiln chimney	18.59 mg/m ³	80mg/m ³	13.76t	142.872t/year	No
	Exhaust gas	SO ₂	Organised emission	1	Alkali furnace chimney	3.43 mg/m ³	200mg/m ³	11.170t	328.417t/year	No
	Exhaust gas	NO _x	Organised emission	1	Lime kiln chimney	135.16 mg/m ³	180mg/m ³	107.36t	181.887t/year	No
	Exhaust gas	NO _x	Organised emission	1	Alkali furnace chimney	171.08 mg/m ³	200mg/m ³	587.576t	950.829t/year	No
	Exhaust gas	Particulates	Organised emission	1	Lime kiln chimney	16.40 mg/m ³	200mg/m ³	12.03t	45.311t/year	No
	Exhaust gas	Particulates	Organised emission	1	Alkali furnace chimney	13.00 mg/m ³	30mg/m ³	44.019t	83.759t/year	No
	Wastewater	COD	Indirect emission	1	Total wastewater discharge	15.13 mg/L	150mg/L	128.04t	398.911t/year	No
	Wastewater	Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	0.10 mg/L	14mg/L	0.85t	39.891t/year	No
	Wastewater	Total nitrogen	Indirect emission	1	Total wastewater discharge	1.20mg/L	15mg/L	10.21t	-	No

I. Major environmental protection matters (Continued)

Treatment of pollutants

1. Shandong Chenming Paper Group Co., Ltd.

Its own power plant uses the exhaust gas treatment process of limestone-gypsum desulfurisation+SNCR selective non-catalytic reduction denitration +electric and bag composite dust removal+wet type electric dust removal. In 2022, the environmental protection exhaust gas treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average exhaust gas indicator did not exceed the standard, and the exhaust gas was discharged up to the standard after treatment.

Its sewage treatment plant uses the traditional activated sludge wastewater treatment process, and the wastewater which is treated up to the standard is discharged into the sewage treatment plant of Shouguang Zhongye Water Co., Ltd. In 2022, the wastewater treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average wastewater indicator did not exceed the standard, and the wastewater was discharged up to the standard after treatment.

2. Shouguang Meilun Paper Co., Ltd.

Its own power plant uses the exhaust gas treatment process of limestone-gypsum desulfurisation+SNCR selective non-catalytic reduction denitration+electric and bag composite dust removal+wet type electric dust removal. The chemical pulp alkali recovery furnace uses the exhaust gas treatment process of PSCR denitration+electrostatic dust removal, and the chemical pulp lime kiln uses the exhaust gas treatment process of ozone denitration+ electrostatic dust removal+wet type electric dust removal. In 2022, the environmental protection exhaust gas treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average exhaust gas indicator did not exceed the standard, and the exhaust gas was discharged up to the standard after treatment.

VII Environment and Social Responsibility

I. Major environmental protection matters (*Continued*)

Treatment of pollutants (*Continued*)

3. Wuhan Chenming Hanyang Paper Holdings Co., Ltd.

The Qianneng Electric Power uses the exhaust gas treatment process of limestone desulfurisation+SCR catalytic reduction+SNCR selective non-catalytic reduction denitrification+electric and bag composite dust removal. In 2022, the environmental protection exhaust gas treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average exhaust gas indicator did not exceed the standard, and the exhaust gas was discharged up to the standard after treatment.

Water pollutants are treated by physicochemical+biochemical+Fenton treatment methods, and the 20,000-tonne treatment process is: catchment well-conditioning-primary settling-cooling tower-aeration tank-secondary settling tank-Fenton-re-conditioning tank-clarifier. The water treatment process has operated normally, and the average discharge in 2022 was: COD at 56mg/L, with the discharge standard at 80mg/L, ammonia nitrogen at 1.71mg/L, with the discharge standard at 8mg/L and total nitrogen at 2.22mg/L, with the discharge standard at 12mg/L. All the pollutants were discharged up to the standard.

4. Jiangxi Chenming Paper Co., Ltd.

Its own power plant uses the exhaust gas treatment process of ammonia desulfurisation+SNCR catalytic reduction denitrification+ electric and bag composite dust removal+90-metre desulfurisation and denitrification tower. The aerobic section of the sewage treatment plant is equipped with a negative pressure exhaust device to recover and treat the exhaust gas from anaerobic and aerobic sections, and uses the process of alkali spraying+biofiltration+water washing. In 2022, the environmental protection exhaust gas treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average exhaust gas indicator did not exceed the standard, and the exhaust gas was discharged up to the standard after treatment.

Industrial wastewater is collected by a catchment well with large particles removed by grids and fibres in the wastewater recovered by inclined mesh, and then flow into the settling tank for preliminary settling and cooling in free-flowing. When the water temperature reaches 38°C, the water is pumped into a high-concentration primary settling tank and a low-concentration primary settling tank. After the pre-acidification treatment, organic matter which can be easily decomposed from the polymer decomposed through a hydrolysis acidification tank. In the biochemical process, the biogas produced is recovered for power generation, and the biochemical water enters into the anaerobic section, and gets into aeration and other aerobic systems with cooled low-concentration water. A stable COD value is achieved through the aerobic system. In order to better treat the water, the aerobic water enters into the in-depth treatment system, and is treated up to the standard through the processes such as Fenton treatment, settling tank treatment, inclined plate settling, and flocculation settling. In the process of wastewater treatment, the suspended matter in the water body is removed from the sludge produced which is treated by the processes such as plate-and-frame filtering and belt machine desliming, which meets the requirements of Table II of GB3544. A reclaimed water recycling device is in place to recycle some water which meets the requirements.

5. Jilin Chenming Paper Co., Ltd.

Its own power plant uses low-temperature combustion, staged combustion and SCR denitrification outside the furnace, and uses bag filter for flue gas dust removal, and uses wet desulfurisation process of limestone inside the furnace + limestone-gypsum outside the furnace, and the discharge is up to the standard.

The sewage station uses the treatment process of anaerobic (IC reactor)+aerobic (jet aeration)+in-depth treatment (Fenton advanced oxidation), and the discharge is up to the standard.

VII Environment and Social Responsibility

I. Major environmental protection matters (*Continued*)

Treatment of pollutants (*Continued*)

6. Zhanjiang Chenming Pulp and Paper Co., Ltd.

Atmospheric pollutant treatment: bag filter dust removal+wet limestone-gypsum desulfurisation+SCR denitration system. Atmospheric pollutant treatment facilities operate normally. In 2022, the average emissions were lower than the emission standards, and the total pollutant emissions were lower than the approved total emissions. In 2022, the total particulate emissions were 11.853 tonnes, which were lower than the standard of 195.06 tonnes/year, the nitrogen oxides were 1302.598 tonnes, which were lower than the total 1800 tonnes/year, and the sulphur dioxide was 56.409 tonnes, which was lower than the total 620 tonnes/year. The discharge was up to the standard.

Water pollutants are treated by physicochemical+biochemical+Fenton treatment methods, and the 86,000-tonne treatment process is: catchment well-conditioning-primary settling-cooling tower-aeration tank-secondary settling tank-Fenton-re-conditioning tank-clarifier. The 30,000-tonne treatment process is: catchment well-primary settling tower – hydrolysis tank-IC tower – aeration tank-secondary settling tank-Fenton-oxidation callback tank-final settling tank. The water treatment process has operated normally. In 2022, the average discharge was: COD at 39.14mg/L, as compared with the discharge standard at 90mg/L, ammonia nitrogen at 1.27mg/L, as compared with the discharge standard at 8mg/L and total nitrogen at 4.82mg/L, as compared with the discharge standard at 12mg/L. All the pollutants were discharged up to the standard.

7. Huanggang Chenming Pulp & Paper Co., Ltd.

The alkali furnace uses polymer denitration outside the furnace+electrostatic dust removal and alkaline melt from the process able to absorb sulphur dioxide. The discharge is up to the standard. The lime kiln uses limestone to fix sulphur and five electrostatic precipitators to remove dust. The discharge is up to the standard.

The sewage treatment uses physical settling+aerobic biochemical treatment+Fenton in-depth treatment process. The discharge is up to the standard.

The lime kiln scrubbing tower which was constructed with an investment of RMB4.2 million came into use on 1 May 2022. It can effectively reduce the emission concentration of sulphur dioxide and hydrogen sulphide to below 10 mg/m³.

Emergency plan for emergency environmental incidents

The Company has strictly implemented emergency regulations for emergency environmental incidents, and formulated various emergency plans for emergency environmental incidents according to the technical requirements in the “Technical Guidelines for Emergency Environmental Pollution Accidents”. The plans are reviewed by and filed with the Environmental Protection Bureau, and regular emergency training and emergency drills are conducted. Emergency measures in relation to dangerous chemicals are formulated in accordance with the environmental protection requirements. At the same time, necessary emergency supplies are provided with regular inspections and updates.

VII Environment and Social Responsibility

I. Major environmental protection matters *(Continued)*

Environmental self-monitoring programme

The Company has strictly complied with self-monitoring laws and regulations, and conducted self-monitoring in accordance with the environmental protection requirements to establish and perfect the corporate environmental management ledgers and materials. At present, self-monitoring is a combination of manual monitoring and automatic monitoring. At the same time, qualified units are engaged to conduct regular monitoring. Automatically monitored items include: total wastewater discharge (COD, ammonia nitrogen, flow rate, total phosphorus, total nitrogen and PH); power plant, alkali recovery boilers and lime kiln exhaust emissions (sulphur dioxide, nitrogen oxide and smoke). Manually monitored items include: daily monitoring of COD, ammonia nitrogen, SS, chroma, PH, total phosphorus and total nitrogen indicators. Sewage and other monitoring items, unorganised exhaust emission, solid waste, and noise at the plant boundary, are monitored on a monthly or quarterly basis by qualified units engaged in accordance with the local environmental protection requirements in relation to each subsidiary.

The self-monitoring data and environmental monitoring programmes for pollutants discharge of various subsidiaries are published on the national key pollution source information disclosure website and the provincial key pollution source information disclosure websites.

Measures taken to reduce its carbon emissions during the reporting period and their effectiveness

Applicable Not applicable

1. The Group strengthened energy management, and compared and analysed the consumption of coal, electricity, on a daily basis with strict control.
2. The Group implemented the conversion of old and new energy sources, eliminated high energy-consuming equipment, replaced high-efficiency inverter and energy-saving motors, and reduced energy consumption.
3. According to the zero position of the air cover of the paper machine dryer, the Group reduced the frequency of the fan appropriately to improve the drying efficiency by raising the zero position and save electricity consumption.
4. For moisture content of screening unit and squeezing unit of paper machine, the Group reduced out of the press moisture and the amount of steam used of drying unit by adjusting the lip plate flow rate, retention rate and line pressure and other measures.
5. The Group strengthened daily energy-saving management by developing a system for temperature of air conditioning and switching on and off of various power supplies, with tracking and inspection.
6. The Group vigorously developed clean energy and energy recycling projects to reduce carbon emissions. The Shouguang Chenming 33 MW and Zhanjiang Chenming 24 MW photovoltaic power generation projects was underway.
7. The Group carried out energy saving and emission reduction at different factories, so that the amount of clean water was under strict control, the amount of water produced by membrane treatment was increased and the amount of wastewater recycled was increased.

VII Environment and Social Responsibility

I. Major environmental protection matters (Continued)

Investment in environmental governance and protection and payment of environmental protection tax

The Company has always adhered to the concept of “green development, ecological Chenming”, and clung to the development model of “clean production” and resource recycling. A green ecology is incorporated in the whole process of production and operation. The Company has invested more than RMB8 billion in total to construct the pollution treatment facilities including the alkali recovery system, reclaimed water treatment system, reclaimed water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental protection indicators rank high in China. During the reporting period, the Company paid environmental protection tax according to law. The Company’s environmental protection tax mainly results from atmospheric pollutants. According to the Environmental Protection Tax Law of People’s Republic of China and its implementation rules, the pollutants shall be calculated according to the automatic monitoring data of pollutants if automatic pollutant monitoring equipment which complies with national provisions and monitoring standards is installed and used. Taxable atmospheric pollutants are determined according to the pollution equivalent quantity converted from the amount of pollutant discharge. The taxable atmospheric pollutants discharged from each outlet, or where there is no outlet, are to be ranked in decreasing order of pollution equivalent quantity, and environmental taxes are to be levied on the top three pollutants. In 2022, the Company paid environmental protection tax amounting to RMB13.4381 million.

Administrative penalties for environmental problems during the reporting period

Name of company or subsidiary	Reasons for penalty	Violations	Penalty results	Impact on the production and operation of the listed company	Corrective measures of the Company
Jiangxi Chenming Paper Co., Ltd.	Excessive emission of polluted water	On 12 September 2021, the Nanchang Municipal Ecological Environment Bureau conducted an onsite inspection of Jiangxi Chenming. After testing, the suspended solids of the wastewater samples collected from the wastewater discharge outlet amounted to 59.33 mg/L, and the chromaticity amounted to 64, which were 0.98 times and 0.28 times higher than the standard, respectively. Therefore, the wastewater discharge exceeded the standard.	On 7 January 2022, the Nanchang Municipal Ecological Environment Bureau issued the Decision on Administrative Penalty and imposed a fine of RMB401,000 on Jiangxi Chenming.	Jiangxi Chenming had completed rectification, and paid the fine on time. There was no significant adverse impact on the listed company	① Control at source ensured that the indicators of each section reached the required range through strict control on the operation of the water treatment system. ② Water intake stabilisation avoided the impact of excessive water volume to affect the indicator of suspended solids in the effluent. ③ The monitoring of drainage indicators was strengthened. They were adjusted on time to ensure that the discharge met the standards.

Other environmental information to be disclosed

The relevant environmental protection information of the pollutant discharge permit information and the pollutant discharge permit requirements is announced on the national sewage discharge permit management information platform.

Other environmental protection related information

Other environmental protection related information is announced on the Company’s website.

VII Environment and Social Responsibility

II. Social responsibility

In 2022, adhering to the philosophy of “Creating high-quality paper products and sincerely repaying the society”, the Company paid attention to the creation of social value while pursuing economic benefits, and took the initiative to perform social responsibility. It was awarded various honorary titles such as “2022 Environmental and Social Responsibility Enterprise”, “Enterprises with Excellent Contribution in Supporting Education Development” and “2022 Top 500 High-tech Enterprises for Philanthropy in China”. For details, please refer to the 2022 Environment, Social and Governance Report of Shandong Chenming Paper Holdings Limited published by the Company on CNINFO on 31 March 2023.

III. Consolidate and expand the achievements of poverty alleviation and rural revitalisation

For a long time, the Company has always taken “revitalising the Chinese papermaking industry” as its own responsibility, staying true to original aspiration, bravely taking responsibility, giving consideration to both righteousness and benefit, and attaching importance to virtue. In order to consolidate and expand the poverty alleviation achievements and fully support rural revitalisation, the Company actively participates in various charitable activities while focusing on the development of its principal activities. It has participated in the “Daily Donation with Compassion” activity in Shouguang City for more than ten years in a row, helping the disadvantaged groups out of poverty through charitable relief projects such as “Aid for the Disabled”, “Special Life Assistance” and “Poverty Alleviation Activities” and the staff mutual aid foundation of the Company. During the COVID-19 pandemic prevention and control period, the Company actively implemented pandemic prevention measures, built its own safety barrier, and steadily promoted production resumption in the production bases. Meanwhile, the Company donated money and materials worth of more than RMB13 million to the pandemic area to help recover the local economies. During the reporting period, the Board considered and approved the investment in and construction of the softwood bleaching chemical pulp project with annual production capacity of 300,000 tonnes and the investment in and construction of the special paper project with annual production capacity of 180,000 tonnes by Zhanjiang Chenming in Taiping Town, Mazhang District, Zhanjiang City. Upon completion, the projects will create employment opportunities and promote the economic development of township areas. In the future, the Company will give full play to its own advantages, continue to actively participate in poverty alleviation activities while developing and expanding business, help the recipients get rid of poverty and become rich with pragmatic measures, keep promoting rural revitalisation, and practicing social responsibility with high quality.

VIII Material Matters

I. Performance of undertakings

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period

√ Applicable □ Not applicable

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made during asset restructuring	Shandong Chenming Paper Holdings Limited and its Directors, Supervisors and Senior Management (Chen Hongguo, Hu Changqing, Li Xingchun, Feng Li, Li Weixian, Han Tingde, Li Chuanxuan, Li Zihui, Sun Jianfei, Yin Meiqun, Yang Biao, Li Kang, Qiu Lanju, Sang Ailing, Pan Ailing, Zhang Hong, Li Xueqin, Li Zhenzhong, Li Mingtang, Ge Guangming, Dong Lianming, Yuan Xikun and Chu Hon Leung)	Undertaking to provide true, accurate and complete information	1. I/The Company has provided information and documents related to the transaction (including but not limited to original written materials, duplicate materials or oral testimony). I/The Company guarantees that the copies or photocopies of the documents and materials provided are the same as the originals, and the signatures and seals of these documents and materials are true, ensures that the relevant information and documents provided for the transaction are true, accurate and complete, and there are no false records, misleading statements or major omissions, and bears individual and joint legal responsibilities for the authenticity, accuracy and completeness of the information provided. 2. The Company/I guarantee that there are no false records, misleading statements or major omissions in the information disclosure and application documents of the transaction. If the information provided or disclosed in the transaction is suspected to contain false records, misleading statements or major omissions, thus causing losses to investors, the Company/I will be jointly and severally liable for compensation. 3. If the transaction is placed on file for investigation by the judicial authorities or by the CSRC because of the false records, misleading statements or major omissions in the information provided or disclosed, the Directors, Supervisors and Senior Management members who hold the shares of the Company will suspend the transfer of the shares (if any) before the case investigation conclusion is clear, and submit the written application for transfer suspension and the stock account to the Board within two trading days after receiving the notice of filing the investigation. The Board shall apply to the stock exchange and the depository and clearing corporation for locking up on their behalf. If the lock-up application is not submitted within two trading days, the Board is authorised to directly submit the identity and account information of the Directors, Supervisors and Senior Management members of the Company to the stock exchange and the depository and clearing corporation for lock-up after verification. If the Board fails to submit the identity and account information of the directors, supervisors and Senior Management members to the stock exchange and the depository and clearing corporation, the stock exchange and the depository and clearing corporation shall be authorised to directly lock up the relevant shares. If the investigation concludes that there are violations of laws and regulations, the relevant Directors, Supervisors and Senior Management members promise to lock up the shares and voluntarily use them for compensation to relevant investors.	21 November 2022	Until the implementation of the restructuring is completed.	Implementing as normal

VIII Material Matters

I. Performance of undertakings (Continued)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Chenming Holdings, Company Limited, Chenming Holdings (Hong Kong) Limited.	Undertaking on the principle transaction opinions and share changes during the reorganisation period	1. This reorganisation is conducive to improving the Company's profitability, enhancing the sustainable operation ability, and protecting the interests of investors and minority shareholders. We agree to this reorganisation in principle. 2. During the period from the first disclosure of the reorganisation plan to its completion, the company will not reduce its shareholding in the Company. This commitment letter is legally binding on the company from the date of signing, and the company is willing to bear all the legal responsibility of the economic losses, claims and extra expenses caused to Chenming Paper for violating the above commitments.	21 November 2022	Until the implementation of the restructuring is completed.	Implementing as normal
	Chen Hongguo, Hu Changqing, Li Xingchun, Feng Li, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yin Meiqun, Yang Biao, Li Kang, Qiu Lanju, Sang Ailing, Pan Ailing, Zhang Hong, Li Xueqin, Li Zhenzhong, Li Mingtang, Ge Guangming, Dong Lianming, Yuan Xikun and Chu Hon Leung	Undertaking on the shareholding reduction plan during the asset restructuring	On 12 August 2022, the Company published an announcement on the preliminary disclosure of disposal of shares by certain Directors and Senior Management members, namely Hu Changqing, Li Feng, Li Weixian, Li Zhenzhong, Li Mingtang, Dong Lianming and Yuan Xikun. Due to personal capital needs, the Directors and Senior Management members mentioned above intended to dispose of 3,753,100 shares by centralised bidding or bulk transaction within 6 months after the date of the announcement of disposal of shares. For details, please refer to the relevant announcement of CNINFO (www.cninfo.com.cn). Apart from the plan of disposal of shares by certain Directors and Senior Management members as disclosed above, I have no other plan to dispose of shares from the date of the first disclosure of the reorganisation plan to its completion. This commitment letter is legally binding on me from the date of signing, and I am willing to bear all legal responsibilities for all economic losses, claims and extra expenses caused to Chenming Paper by violating the above commitments.	21 November 2022	Until the completion date of the implementation of the restructuring plan	Implementing as normal

VIII Material Matters

I. Performance of undertakings (Continued)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Chenming Holdings Company Limited, Chenming Holdings (Hong Kong) Limited, Shandong Chenming Paper Holdings Limited and their directors, supervisors and senior management (Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yin Meiqun, Yang Biao, Li Kang, Qiu Lanju, Sang Ailing, Pan Ailing, Zhang Hong, Li Xueqin, Li Zhenzhong, Li Mingtang, Ge Guangming, Dong Lianming, Yuan Xikun and Chu Hon Leung)	Commitment letter on no insider trading	1. The company, and its all directors, supervisors and senior management members, as well as the entities controlled by the above-mentioned subjects, have not been placed on file for investigation on suspicion of insider trading related to the transaction. In the last 36 months, there is no case that the CSRC had imposed administrative punishment or the judicial organs had lawfully investigated criminal responsibility for participating in insider trading related to major asset reorganisation, and there has been no case that the above personnel are not allowed to participate in the transaction according to Article 13 of the Guidelines for Supervision of Listed Companies No.7 – Supervision of Abnormal Stock Trading Related to Major Asset Restructuring of Listed Companies. 2. The company and its directors, supervisors and senior management members guarantee to take necessary measures to keep the information and materials involved in the transaction strictly confidential.	21 November 2022	Until the completion date of the implementation of the restructuring plan	Implementing as normal

VIII Material Matters

I. Performance of undertakings (Continued)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Dongxing Securities Investment Co., Ltd., Chongqing International Trust Inc., Chenming (Qingdao) Asset Management Co., Ltd.	Undertaking to provide true, accurate and complete information	1. The company has provided the Company and the intermediaries serving for the transaction with relevant information and documents of the company (including but not limited to original written materials, duplicate materials or oral testimony). The company guarantees that the copies or photocopies of the documents and materials provided are consistent with the originals, and the signatures and seals of these documents and materials are true, ensures that the relevant information and documents provided for the transaction are true, accurate and complete, and there are no false records, misleading statements or major omissions, and bears individual and joint legal responsibilities for the authenticity, accuracy and completeness of the information provided. 2. During the period of the transaction, the company will disclose the information about the transaction to the Company in a timely manner in accordance with relevant laws, regulations and rules, and the relevant provisions of the CSRC and Shenzhen Stock Exchange, so as to ensure the authenticity, accuracy and completeness of such information and guarantee that there are no false records, misleading statements or major omissions in such information. If the relevant information provided by the company for the transaction does not meet the above requirements and causes losses to the Company and investors, the company will bear individual and joint liability for compensation. 3. If the information provided or disclosed for the transaction is suspected of false records, misleading statements or major omissions, and is put on file for investigation by the judicial authorities or by the CSRC, the shares of Chenming Paper will not be transferred before the investigation conclusion is formed, and the written application for transfer suspension and the securities account will be submitted to the Board of Chenming Paper within two trading days after receiving the notice of filing for investigation, and the Board will apply to the stock exchange and the depository and clearing corporation for locking up on behalf of the company. If the locking up application is not submitted within two trading days, the company authorises the Board to directly submit the identity and account information of the company to the stock exchange and the depository and clearing corporation for locking up after verification. If the Board fails to submit the identity and account information of the company to the stock exchange and the depository and clearing corporation, the company authorises the stock exchange and the depository and clearing corporation to directly lock up the relevant shares. If the investigation concludes that there is a violation of laws and regulations, the company promises to lock up the shares and voluntarily use them for compensation to relevant investors.	21 November 2022	Until the completion date of the implementation of the restructuring plan	Implementing as normal

VIII Material Matters

I. Performance of undertakings (Continued)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Dongxing Securities Investment Co., Ltd.	Undertaking on share lock-up	1. The company will not transfer the shares acquired from the transaction within 12 months from the date when the shares acquired in the transaction are issued. However, if the CSRC requests to adjust the lock-up period of the subject shares, it shall be adjusted according to relevant requirements. 2. The above-mentioned "shares acquired in the transaction" include the shares acquired during the lock-up period due to the distribution of stock dividends and the increase of capital reserves. 3. After the shares of Chenming Paper acquired in the transaction are unlocked, the company's disposal of shares must comply with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Shenzhen Stock Exchange Implementation Rules on the Share Lessening by the Shareholders, Directors, Supervisors and Senior Management of Listed Companies, and the Articles of Association of Shandong Chenming Paper Holdings Limited, and other provisions of laws, regulations, rules and normative documents.	21 November 2022	Twelve months from the date of completion of share issuance	Implementing as normal
	Chongqing International Trust Inc.		Chongqing Trust (the "company"), as the trustee of Chongqing Trust Huiyu No. 6 Collective Fund Trust Plan ("Huiyu No. 6" or the "Plan"), represents Huiyu No. 6 as the counterparty of the Company in the transaction, and will hold shares of the Company after the transaction is completed. The company has made the following commitments on the lock-up period of the shares of the Company acquired in the transaction (the "subject shares"): 1. The shares of the Company acquired by the company (representing Huiyu No. 6) in the transaction will not be transferred within 12 months from the date when the shares acquired in the transaction are issued, but if the CSRC requests to adjust the lock-up period of the subject shares, it shall be adjusted according to relevant requirements. 2. "The shares of the Company acquired in the transaction" as mentioned above include shares of the Company acquired during the lock-up period due to the distribution of stock dividends by the Company and the increase of capital reserves. 3. The company (representing Huiyu No. 6) shall abide by the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Shenzhen Stock Exchange Implementation Rules on the Share Lessening by the Shareholders, Directors, Supervisors and Senior Management of Listed Companies, and the Articles of Association of Shandong Chenming Paper Holdings Limited, and other provisions of laws, regulations, rules and normative documents.	21 November 2022	Twelve months from the date of completion of share issuance	Implementing as normal

VIII Material Matters

I. Performance of undertakings (Continued)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Dongxing Securities Investment Co., Ltd., Chenming (Qingdao) Asset Management Co., Ltd.	Explanation and commitment letter of the counterparty on the ownership of the underlying assets	1. The company has a clear ownership of the subject assets, which can be legally disposed of, and there are no rights restrictions or defects such as pledge, guarantee, freezing and seizure, nor major legal disputes such as litigation and arbitration. 2. During the period from the valuation benchmark date of the subject assets of the transaction to the asset delivery date, the company will not set any third-party rights such as mortgage and pledge on the subject assets. 3. The company waives the pre-emptive right to buy the shares transferred by other shareholders of the target company. 4. There are no legal obstacles to the target asset transfer by the company, nor other relevant investment agreements or other arrangements that restrict transactions.	21 November 2022	Until the completion date of the implementation of the restructuring plan	Implementing as normal
	Chongqing International Trust Inc.		Chongqing Trust (the "company"), as the trustee of Chongqing Trust Huiyu No. 6 Collective Fund Trust Plan ("Huiyu No. 6" or the "Plan"), represents Huiyu No. 6 as the transaction counterparty of the Company, and hereby promises as follows: 1. The company (representing Huiyu No. 6) has a clear ownership of the subject assets and can make legal disposal. There are no rights restrictions or defects such as pledge, guarantee, freezing and seizure, nor major legal disputes such as litigation and arbitration. 2. During the period from the asset valuation benchmark date to the asset delivery date, the company (representing Huiyu No. 6) will not set any third-party rights such as mortgage and pledge on the subject assets. 3. The company (representing Huiyu No. 6) waives the pre-emptive right to buy the shares transferred by other shareholders of the target company. 4. In addition, there are no legal obstacles to the target asset transfer by the company (representing Huiyu No. 6), nor other investment agreements or other arrangements that restrict transactions.	21 November 2022	Until the completion date of the implementation of this restructuring plan	Implementing as normal
	Dongxing Securities Investment Co., Ltd., Chongqing International Trust Inc., Chenming (Qingdao) Asset Management Co., Ltd.	Undertaking on absence of insider trading	1. The company, its controlling shareholder, all directors, supervisors and senior management members, and the entities controlled by the above-mentioned subjects have not been placed on file for investigation for suspected insider trading related to this transaction. In the last 36 months, there is no case that the CSRC has imposed administrative punishment or the judicial organs have lawfully investigated criminal responsibility for participating in insider trading related to major asset reorganisation, and there is no case that the above personnel are not allowed to participate in the transaction according to Article 13 of the Guidelines for Supervision of Listed Companies No.7 – Supervision of Abnormal Stock Trading Related to Major Asset Restructuring of Listed Companies. 2. The company, its controlling shareholder and its all directors, supervisors and senior management members guarantee to take necessary measures to keep the confidential materials and information involved in the transaction strictly confidential in accordance with the requirements of applicable laws and regulations.	21 November 2022	Until the completion date of the implementation of this restructuring plan	Implementing as normal

VIII Material Matters

I. Performance of undertakings (Continued)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Dongxing Securities Investment Co., Ltd., Chenming (Qingdao) Asset Management Co., Ltd.	Commitment on no illegal matters in the past five years	1. The company and its major management personnel did not receive any criminal punishment or administrative punishment related to the securities market in the last five years, and there was no major civil litigation or arbitration related to economic disputes; 2. The company and its major management personnel did not fail to repay large debts on schedule or fulfill their commitments, were not taken administrative supervision measures by the CSRC, or were not disciplined by stock exchanges; 3. The company had no other major illegal acts that damaged the investors' legitimate rights and interests and social public interests, nor other bad records.	21 November 2022	Until the completion date of the implementation of the restructuring plan	Implementing as normal
	Chongqing International Trust Inc.	Commitment on no illegal matters in the past five years	Chongqing Trust (the "company"), as the trustee of Chongqing Trust Huiyu No. 6 Collective Fund Trust Plan ("Huiyu No. 6" or the "plan"), represents Huiyu No. 6 as the counterparty of the transaction, and makes the following commitments on the plan and the relevant information of the company: (1) Commitments of the plan: 1. Since its establishment, the plan has not been subject to administrative punishment or criminal punishment related to the securities market, and there are no major civil lawsuits or arbitrations related to economic disputes; 2. There is no failure to repay large debts, fulfill commitments, take administrative supervision measures by the CSRC or be disciplined by stock exchanges on the plan; 3. There are no other major illegal acts that damage the investors' legitimate rights and interests and social public interests in the plan, nor other bad records. (2) Commitments of the company: 1. The company and its major management personnel did not receive any criminal punishment or administrative punishment related to the securities market in the last five years, and there were no major civil lawsuits or arbitrations related to economic disputes (except for other products managed by the company as litigants); 2. The company and its major management personnel did not fail to repay large debts on schedule or fulfill their commitments, were not taken administrative supervision measures by the CSRC, or were not disciplined by stock exchanges; 3. The company had no other major illegal acts that damage the investors' legitimate rights and interests and social public interests, nor other bad records.	21 November 2022	Until the completion date of the implementation of this restructuring plan	Implementing as normal

VIII Material Matters

I. Performance of undertakings *(Continued)*

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period *(Continued)*

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made on initial public offering or refinancing	Chenming Holdings Co., Ltd.	Non-competitive undertaking	(1) Chenming Holdings Co., Ltd. ("Chenming Holdings") shall not engage, whether solely, jointly, or by representing itself or any other persons or companies, and shall not procure its associates (as defined in The Listing Rules of Hong Kong Stock Exchange) to engage, in any business which competes with the business of the Company and its subsidiaries ("Chenming Group" or "we") directly or indirectly, in any country and region which our business exists (or any part of the world if in any form of electronics business), or in any business that directly or indirectly competes with Chenming Group's business which we operate from time to time (including but not limited to any business in the form of sole proprietorship, joint ventures or acquisitions, or holding interests directly or indirectly in such enterprises, or by any other means); (2) in the event that Chenming Holdings is required by its business to, whether solely, jointly, or by representing itself or any other persons or companies, engage in business which directly or indirectly competes against the business of Chenming Group, or obtain any business opportunity which directly or indirectly competes against the business of Chenming Group, it shall endeavour to procure that Chenming Group shall have priority to obtain the right to operate such business or to obtain such business opportunity; (3) if Chenming Holdings is in breach of the abovementioned undertakings, it shall indemnify the Company for any loss caused by such breach and the Company shall have the right to acquire all businesses of Chenming Holdings, which directly or indirectly compete with the businesses of our Group, at market price or cost price (whichever price is lower); (4) Chenming Holdings shall not make use of its position as the controlling shareholder (as defined in The Listing Rules of Hong Kong Stock Exchange) of our Group to jeopardise the legal interests of Chenming Group and its shareholders with other persons or companies or on their behalf.	22 May 2008	During the period when Chenming Holdings was the major shareholder of the Company	Implementing as normal

VIII Material Matters

I. Performance of undertakings (Continued)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Chenming Holdings Co., Ltd.	Defective properties	(1) According to the plan on defective properties of the Company, Chenming Holdings Co., Ltd. ("Chenming Holdings") has guaranteed and undertaken that: according to the application of the Company, for defective property(ies) owned by the Company and its holding subsidiary company which situated in the administrative area of Shouguang city, Chenming Holdings will purchase it (them) and have it(them) being transferred to itself pursuant to the law in accordance with the result of the related asset valuation if the Company decides to transfer and dispose of it(them) and there is no other transferee; (2) before the Company transfers and disposes of the defective properties pursuant to the law, if the Company suffers any economic losses due to the defects of the title (including but not limited to damages, penalties and relocation costs), Chenming Holdings will bear such economic losses; (3) during the regulatory process taken to the defective properties of buildings and land of subsidiaries of the Company situated outside the local areas (outside the administrative area of Shouguang city), the economic losses such as penalties or relocation costs imposed by competent administrative authorities to be borne by the subsidiaries arising from defects of insufficient title documents shall be paid pursuant to the law by Chenming Holdings after verification.	16 January 2008	During the period when Chenming Holdings was the major shareholder of the Company	Implementing as normal
	Whether undertakings performed on time		Yes			
	If the undertakings are not performed within specified period, details of the specific reasons for the incomplete performance and the next steps should be provided		N/A			

2. Description on the Company's assets and items in meeting original profit forecast and its explanation as there is profit forecast for assets and items of the Company and the reporting period is still within the profit forecast period

Applicable Not applicable

VIII Material Matters

II. Appropriation of funds of the Company by the controlling shareholder and other related parties for non-operating purposes

Applicable Not applicable

There was no appropriation of funds of the Company by the controlling shareholder and other related parties for non-operating purposes during the reporting period.

III. External guarantees against the rules and regulations

Applicable Not applicable

There was no external guarantee provided by the Company which was against the rules and regulations during the reporting period.

IV. Opinions of the Directors regarding the latest “modified auditor’s report”

Applicable Not applicable

V. Opinions of the Board, the Supervisory Committee and independent Directors (if any) regarding the “modified auditor’s report” for the reporting period issued by the accountants

Applicable Not applicable

VI. Changes in accounting policies, accounting estimates or correction of major accounting errors as compared to the financial report for the prior year

Applicable Not applicable

Changes in accounting policies as a result of application of new accounting standards

Prior to the changes, the Company applied the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards, application guidelines thereof, interpretations and other related rules promulgated by the Ministry of Finance.

Upon the changes, the Company will apply the Interpretation No. 15 and the Interpretation No. 16 promulgated by the Ministry of Finance on 31 December 2021 and 13 December 2022, respectively.

On 31 December 2021, the Accounting Standards for Business Enterprises Interpretation No. 15 (Cai Hui [2021] No. 35, hereinafter referred to as “Interpretation No. 15”) regarding regulations on the Accounting Treatment for the External Sales of Products or By-Products Produced Prior to Reaching the Intended Use of Fixed Assets or During the R&D Process and the Determination of Onerous Contracts were promulgated, and were applied by the Company since 1 January 2022.

On 13 December 2022, the Accounting Standards for Business Enterprises Interpretation No. 16 (Cai Hui [2022] No. 31, hereinafter referred to as “Interpretation No. 16”) regarding the Accounting Treatment for the Income Tax Impacts of Dividends in Relation to Financial Instruments Classified as Equity Instrument by the Issuer and the Accounting Treatment for the Reclassification of Cash-Settled Share-Based Payment as Equity-Settle Share-Based Payment by an Enterprise were promulgated, and were applied by the Company since the date of promulgation.

Other unchanged parts remain to be applicable in accordance with the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards, application guidelines thereof, interpretations and other related rules promulgated by the Ministry of Finance in prior period.

VIII Material Matters

VII. Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

Applicable Not applicable

During the year, 2 subsidiaries were newly established, namely Jiangxi Chenming Tea Co., Ltd. and Shouguang Meichen Energy Technology Co., Ltd., and 1 subsidiary was deregistered, namely Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd. 2 subsidiaries were acquired not within the definition of business, namely Shanxi Fuyin Industry and Trade Co., Ltd. and Chongmin Culture Development (Shanghai) Co., Ltd.

VIII. Engagement or dismissal of accounting firms

Current accounting firm engaged

Name of the domestic accounting firm	Grant Thornton (Special General Partnership)
Remuneration of the domestic accounting firm (RMB'0,000)	330
Continued term of service of the domestic accounting firm	4
Name of certified public accountants of the domestic accounting firm	Liu Jian and Jiang Lei
Continued term of service of certified public accountants of the domestic accounting firm	3

Whether to appoint another accounting firm during the period

Yes No

Particulars on recruitment of accounting firms, financial consultants or sponsors for internal control and auditing purposes

Applicable Not applicable

During the year, the Company engaged Grant Thornton (Special General Partnership) as the auditor for internal control of the Company for 2022. The Company paid RMB800,000 as internal control audit fees during the reporting period. The Company engaged Guotai Junan Securities Co., Ltd. as its domestic financial advisor due to the change of listing venue of the domestic listed foreign shares and their listing and trading on the Main Board of The Stock Exchange of Hong Kong Limited by conversion, and did not pay for the financial advisor fees during the reporting period. The Company engaged Guotai Junan Capital Limited as its overseas financial advisor, and paid HK\$1,000,000 as financial advisor fees during the reporting period. The Company engaged Huaying Securities Co., Ltd. as its financial advisor in respect of the issuance of shares and payment of cash consideration for acquisition of assets, and did not pay for the financial advisor fees during the reporting period.

IX. Prospects of withdrawal from listing subsequent to the publication of the annual report

Applicable Not applicable

X. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

VIII Material Matters

XI. Material litigation and arbitration

√ Applicable □ Not applicable

General information on the litigation (arbitration)	Amount involved	Whether provisions are made	Progress	Trial results and impact	Enforcement of judgment	Date of disclosure	Disclosure index
Summary of matters not subject to disclosure as material litigation (arbitration) in which Chenming Leasing is the plaintiff	RMB930.7005 million	No	Apart from one litigation case with subject amount of RMB25.3 million was still at the first instance stage, judgments were made for most of the litigations (arbitrations), and entered the execution stage.	For litigation (arbitration) with judgment made, the court ordered relevant defendant and guarantor to settle outstanding loans to the Company, in line with the request of the Company and would not have any significant impact on the operation and financial condition of the Company.	In the progress of execution	Not applicable	Not applicable
Summary of matters not subject to disclosure as material litigation (arbitration) in which the Company and other subsidiaries of the Company are the plaintiff	RMB72.5720 million	No	Litigations (arbitrations) were being proceeded pursuant to the litigation procedures. Some of the litigations (arbitrations) have commenced court session and pending for judgment, while some of them were under trial.	Conclusions have not yet made. It is expected that there would not be any significant impact on the operation and financial condition of the Company.	Not yet entered the execution stage	Not applicable	Not applicable

VIII Material Matters

XI. Material litigation and arbitration (Continued)

General information on the litigation (arbitration)	Amount involved	Whether provisions are made	Progress	Trial results and impact	Enforcement of judgment	Date of disclosure	Disclosure index
Summary of matters not subject to disclosure as material litigation (arbitration) in which the Company and other subsidiaries of the Company are the defendants	RMB104.9522 million	No	Litigations (arbitrations) were being proceeded pursuant to the litigation procedures. Some of the litigations (arbitrations) have commenced court session and pending for judgment. First instance judgments were made for some of the litigations (arbitrations) and appeal was made by counterparty or the Company. Some of the litigations (arbitrations) were under trial.	Conclusions have not yet made. It is expected that there would not be any significant impact on the operation and financial condition of the Company.	Not yet entered the execution stage	Not applicable	Not applicable

XII. Punishment and rectification

Applicable Not applicable

Name	Type	Reason	Type of investigation punishment	Conclusion (if any)	Disclosure date	Disclosure index
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Excessive emission of polluted water	General administrative penalties	On 12 September 2021, the Nanchang Municipal Ecological Environment Bureau conducted an on-site inspection of Jiangxi Chenming. After testing, the suspended solids of the wastewater samples collected from the wastewater discharge outlet amounted to 59.33 mg/L, and the chromaticity amounted to 64, which were 0.98 times and 0.28 times higher than the standard, respectively. Therefore, the wastewater discharge exceeded the standard. On 7 January 2022, the Nanchang Municipal Ecological Environment Bureau issued the Decision on Administrative Penalty and imposed a fine of RMB401,000 on Jiangxi Chenming. As at the disclosure date of the Report, Jiangxi Chenming had completed rectification, and paid the fine on time.	N/A	N/A

Rectification

Applicable Not applicable

- (1) Control at source ensured that the indicators of each section reached the required range through strict control on the operation of the water treatment system. (2) Water intake stabilisation avoided the impact of excessive water volume to affect the indicator of suspended solids in the effluent. (3) The monitoring of drainage indicators was strengthened. They were adjusted on time to ensure that the discharge met the standards.

VIII Material Matters

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

Applicable Not applicable

XIV. Significant related party transactions

1. Related party transactions associated with day-to-day operation

Applicable Not applicable

Related party	Relationship with the Company	Types of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transaction	Related party transaction price	Amount of related party transactions (RMB'0,000)	Percentage as the amount of similar transactions	Amount of transactions approved (RMB'0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
Weifang Sime Darby West Port Co., Ltd.	Joint venture	Labour service	Port miscellaneous fees	Market price	Market price	6,332.89	5.90%	10,000.00	No	Bank acceptance and telegraphic transfer	Not applicable	31 March 2022	http://www.cninfo.com.cn
Total				-	-	6,332.89	-	10,000.00	-	-	-	-	-
Particulars on refund of bulk sale					Nil								
Estimated total amount for day-to-day related party transactions to be conducted during the period (by types of transactions) and their actual implementing during the reporting period (if any)					Nil								
Reasons for large differences between transaction price and market reference price (if applicable)					N/A								

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

Applicable Not applicable

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

3. Related party transaction connected to joint external investment

Applicable Not applicable

There was no related party transaction of the Company connected to joint external investment during the reporting period.

4. Related creditors' rights and debts transactions

Applicable Not applicable

Was there any non-operating related creditors' rights and debts transaction

Yes No

Creditor's rights receivable from any related party

VIII Material Matters

XIV. Significant related party transactions (Continued)

4. Related creditors' rights and debts transactions (Continued)

Related party	Relationship with the Company		Was there any non-operating capital occupation	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount recovered during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
	Company	Reason							
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture	Financial support	No	1,729.92	-	-	6.00%	99.20	1,829.12
Weifang Sime Darby West Port Co., Ltd.	A joint venture	Financial support	No	8,066.79	-	1,296.61	6.00%	397.75	7,167.93
Effect of related creditors' rights on the operating results and financial position of the Company	The above creditors' rights did not affect the ordinary operation of the Company. Moreover, they catered to the needs for development of existing businesses of Shouguang Meite Environmental and Weifang Sime Darby West Port and lowered the financing costs.								

Debts payable to any related party

Related party	Relationship with the Company		Opening balance (RMB'0,000)	Amount		Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
	Company	Reason		increased during the current period (RMB'0,000)	Amount repaid during the current period (RMB'0,000)			
Chenming Holdings Company Limited	The controlling shareholder	Financial support	-	23,500.00	23,500.00	7.00%	47.25	-
Guangdong Nanyue Bank Co., Ltd.	An associate	Borrowing	220,100.00	190,910.00	220,100.00	Market interest rate	4,825.54	190,910.00
Effect of related debts on the operating results and financial position of the Company	Financial support was provided by Chenming Holdings without requiring any pledge or guarantee, which was a testament to its support and confidence in the future development of the Company, and helped the Company promote project construction and satisfy its needs for working capital.							

VIII Material Matters

XIV. Significant related party transactions *(Continued)*

5. Deals with related financial companies

Applicable Not applicable

There were no deposits, loans, credits, or other financial services between the Company, its related financial companies and the related parties.

6. Deals between financial companies controlled by the company and related parties

Applicable Not applicable

There were no deposits, loans, credits, or other financial services between the financial companies controlled by the Company and the related parties.

7. Other significant related party transactions

Applicable Not applicable

There was no other significant related party transaction of the Company during the reporting period.

XV. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

Applicable Not applicable

There was no custody of the Company during the reporting period.

(2) Contracting

Applicable Not applicable

There was no contracting of the Company during the reporting period.

XV. Material contracts and implementation *(Continued)*

1. Custody, contracting and leasing *(Continued)*

(3) Leasing

Applicable Not applicable

Leasing description:

As a lessee

The Company has simplified the treatment of short-term leases and leases of low-value assets by not recognising right-of-use assets and lease liabilities. The charges to expense for short-term leases, low-value assets and variable lease payments not included in the measurement of lease liabilities during the current period are as follows:

Unit: RMB

Item	2022
Low-value leases	7,345,715.07
Total	7,345,715.07

As a lessor

Where an operating lease is formed:

According to paragraph 58 of the new lease standard, the lessor shall disclose in the notes the following information related to operating leases:

- ① Lease income, and make separate disclosure of income related to variable lease payments not included in lease receipts;

Unit: RMB

Item	2022
Lease income	190,694,151.90

VIII Material Matters

XV. Material contracts and implementation (Continued)

1. Custody, contracting and leasing (Continued)

As a lessor (Continued)

- ② The amount of undiscounted lease receipts to be received in each of the five consecutive fiscal years after the balance sheet date and the total amount of undiscounted lease receipts to be received in the remaining years.

Unit: RMB

Year	2022.12.31
Within 1 year after the balance sheet date	199,136,847.34
1 to 2 years after the balance sheet date	192,606,625.78
2 to 3 years after the balance sheet date	166,116,775.62
3 to 4 years after the balance sheet date	142,350,767.99
4 to 5 years after the balance sheet date	132,326,292.11
More than 5 years after the balance sheet date	131,251,761.59
Total	963,789,070.43

Items that bring profit or loss of more than 10% of the total profit of the Company during the reporting period

Applicable Not applicable

The Company did not have any leasing project that brought profit or loss to the Company amounting to more than 10% of the total profit of the Company during the reporting period.

VIII Material Matters

XV. Material contracts and implementation (Continued)

2. Significant guarantees

√ Applicable □ Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB10,005.0265 million. As at 31 December 2022, the balance of the external guarantee provided by the Company (including the guarantee to its subsidiaries by the Company and the guarantee provided to subsidiaries by subsidiaries) amounted to RMB11,974.3434 million, representing 62.74% of the equity attributable to shareholders of the Company as at the end of 2022.

Unit: RMB'0,000

Name of obligee	Date of the related announcement disclosing the guarantee amount	External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)							Term	Guarantee fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee				
Weifang Sime Darby West Port Co., Ltd.	24 July 2017	17,500.00	20 December 2017	11,480.00	General guarantee	Credit guarantee	No	10 years	No	No	
Zhanjiang Runbao Trading Co., Ltd.	30 March 2022	16,000.00	25 April 2022	16,000.00	Pledge	34.64% equity interest in Wuhan Chenming	Remaining equity transfer payment of RMB160 million	2 years	No	No	
Zhanjiang Dingjin Trading Co., Ltd.	7 December 2022	13,558.19	7 December 2022	13,558.19	Pledge	Properties	Remaining equity transfer payment of RMB136 million	3 years	No	No	
Shanghai Shuilan Trading Co., Ltd.	7 December 2022	45,700.00	7 December 2022	45,700.00	Pledge	100% equity interest in Shanghai Chongmin	80% equity interest in Taixing Port held by Shanghai Huahao	3 years	No	No	
Total external guarantees approved during the reporting period (A1)		75,258.19			Total actual external guarantees during the reporting period (A2)						75,258.19
Total external guarantees approved at the end of the reporting period (A3)		92,758.19			Balance of total actual guarantees at the end of the reporting period (A4)						86,738.19

VIII Material Matters

XV. Material contracts and implementation (Continued)

2. Significant guarantees (Continued)

Guarantees between the Company and its subsidiaries

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee		Collateral	Counter-guarantee	Term	Guarantee to related parties	
				provided	Type of guarantee				Fulfilled or not	or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	142,404.00	16 October 2020	142,404.00	General guarantee	No	No	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2022	1,050,000.00	12 May 2022	273,881.95	General guarantee	No	No	1 year	No	No
Shouguang Meilun Paper Co., Ltd.	27 March 2020	4,900.00	30 April 2022	4,900.00	General guarantee	No	No	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	30 March 2022	500,000.00	6 July 2022	121,883.76	General guarantee	No	No	1 year	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2019	50,245.00	19 January 2022	50,245.00	General guarantee	No	No	5 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2022	400,000.00	19 May 2022	124,289.38	General guarantee	No	No	1 year	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	25 March 2021	2,000.00	22 April 2022	2,000.00	General guarantee	No	No	7 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2022	350,000.00	19 May 2022	68,500.00	General guarantee	No	No	1 year	No	No
Huanggang Chenming Paper Technology Co., Ltd.	30 March 2022	500,000.00			General guarantee	No	No	1 year	No	No
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	30 March 2022	30,000.00			General guarantee	No	No	1 year	No	No
Jilin Chenming Paper Co., Ltd.	30 March 2022	30,000.00	23 May 2022	11,658.00	General guarantee	No	No	1 year	No	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	30 March 2022	50,000.00			General guarantee	No	No	1 year	No	No
Shouguang Chenming Art Paper Co., Ltd.	30 March 2022	20,000.00			General guarantee	No	No	1 year	No	No
Shandong Chenming Group Finance Co., Ltd.	30 March 2022	30,000.00			General guarantee	No	No	1 year	No	No
Kunshan Tuoan Plastic Products Co., Ltd.	30 March 2022	10,000.00			General guarantee	No	No	1 year	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	30 March 2022	30,000.00			General guarantee	No	No	1 year	No	No
Shouguang Hongyi Decorative Packaging Co., Ltd.	30 March 2022	5,000.00			General guarantee	No	No	1 year	No	No
Chenming (Singapore) Co., Ltd.	30 March 2022	40,000.00			General guarantee	No	No	1 year	No	No
Chenming (HK) Limited	30 March 2022	200,000.00	26 September 2022	17,411.50	General guarantee	No	No	1 year	No	No
Jiangxi Chenming Tea Co., Ltd.	30 March 2022	10,000.00			General guarantee	No	No	1 year	No	No

VIII Material Matters

XV. Material contracts and implementation (Continued)

2. Significant guarantees (Continued)

Guarantees between the Company and its subsidiaries

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee		Guarantee provided		Collateral	Counter-guarantee	Term	Guarantee to related parties	
		Guarantee date		Type of guarantee					Fulfilled or not	or not
Shandong Chenming Pulp & Paper Sales Co., Ltd.	30 March 2019	45,996.80	7 April 2022	45,996.80	General guarantee	No	No	5 years	No	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	30 March 2022	350,000.00	28 July 2022	158,632.26	General guarantee	No	No	1 year	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2022	150,000.00	31 May 2022	13,500.00	General guarantee	No	No	1 year	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	30 March 2019	10,000.00	14 January 2022	10,000.00	General guarantee	No	No	5 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	30 March 2022	50,000.00			General guarantee	No	No	1 year	No	No
Hainan Chenming Technology Co., Ltd.	30 March 2022	100,000.00	16 May 2022	8,000.00	General guarantee	No	No	1 year	No	No
Chenming (Overseas) Co., Ltd.	30 March 2022	40,000.00			General guarantee	No	No	1 year	No	No
Shanghai Hongtai Property Management Co., Ltd.	30 March 2022	10,000.00			General guarantee	No	No	1 year	No	No
Nanchang Chenming Arboriculture Development Co., Ltd.	30 March 2022	10,000.00			General guarantee	No	No	1 year	No	No
Shouguang Chenming Papermaking Machine Co., Ltd.	30 March 2022	5,000.00			General guarantee	No	No	1 year	No	No
Shouguang Hongxiang Printing and Packaging Co., Ltd.	30 March 2022	5,000.00			General guarantee	No	No	1 year	No	No
Shouguang Chenming Modern Logistic Co., Ltd.	30 March 2022	5,000.00			General guarantee	No	No	1 year	No	No
Shandong Grand View Hotel Co., Ltd.	30 March 2022	5,000.00			General guarantee	No	No	1 year	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		3,985,000.00			Total amount of guarantee provided for subsidiaries during the reporting period (B2)					1,000,502.65
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		4,240,545.80			Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					1,053,302.65

VIII Material Matters

XV. Material contracts and implementation (Continued)

2. Significant guarantees (Continued)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Guarantees between subsidiaries							Guarantee to related parties		
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee	Term	Fulfilled or not	or not	
Chenming (HK) Limited	30 March 2019	6,393.50	17 March 2020	6,393.50	General guarantee	No	No	5 years	No	No	
Shouguang Meilun Paper Co., Ltd	4 December 2020	30,400.00	4 December 2020	30,400.00	Pledge	Properties	No	3 years	No	No	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	4 December 2020	600.00	4 December 2020	600.00	Pledge	Properties	No	3 years	No	No	
Huanggang Chenming Pulp & Paper Co., Ltd.	4 December 2020	20,000.00	4 December 2020	20,000.00	Pledge	Properties	No	3 years	No	No	
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		0.00	Total amount of guarantee provided for subsidiaries during the reporting period (C2)							0.00	
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		57,393.50	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)							57,393.50	
Total amount of guarantee provided (i.e. sum of the above three guarantee amount)											
Total amount of guarantee approved during the reporting period (A1+B1+C1)		4,060,258.19	Total amount of guarantee during the reporting period (A2+B2+C2)							1,075,760.84	
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		4,390,697.49	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)							1,197,434.34	
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company										62.74%	
Of which:											
Balance of guarantee provided for shareholders, beneficial controllers and its related parties (D)										0.00	
Balance of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)										293,309.06	
Total amount of guarantee provided in excess of 50% of net assets (F)										243,206.07	
Sum of the above three amount of guarantee (D+E+F)										536,515.13	
For the unexpired guarantee contract, the guarantee liability has occurred during the reporting period or there is evidence showing that it is possible to bear joint liability for repayment (if any)										No	
Providing external guarantees in violation of prescribed procedures (if any)										No	

VIII Material Matters

XV. Material contracts and implementation *(Continued)*

3. Entrusted cash and asset management

(1) Entrusted wealth management

Applicable Not applicable

The Company did not have any entrusted wealth management during the reporting period.

(2) Entrusted loans

Applicable Not applicable

The Company did not have any entrusted loans during the reporting period.

4. Other material contracts

Applicable Not applicable

The Company did not have any other material contracts during the reporting period.

VIII Material Matters

XVI. Other matters of significance

Applicable Not applicable

1. Issuance of shares and asset purchase through cash payments

On 21 November 2022, the Company held the fourth extraordinary meeting of the tenth session of the Board and the second extraordinary meeting of the tenth session of the Supervisory Committee, and considered and approved relevant resolutions including the Resolution on Asset Purchase through Issuance of Shares and Cash Payment. The Company intended to acquire 1.19% equity interests in Shouguang Meilun (corresponding capital contribution of RMB57,210,526 to Shouguang Meilun) held by Dongxing Investment and 44.44% limited partnership share in Chenrong Fund held by Chongqing Trust through issuance of shares. Shandong Chenming Investment Co., Ltd., a wholly-owned subsidiary of the Company, intended to acquire 0.22% general partnership share in Chenrong held by Chenming (Qingdao) Asset Management Co., Ltd. (“Chenming Asset Management”) through cash payment. The type of shares issued by the Company for asset purchase was domestic-listed RMB ordinary shares (A shares), with issue price of RMB4.42 per share. As of the end of the reporting period, the audit and evaluation on subject asset under the transaction have not yet completed.

For details, please refer to the relevant announcements (announcement no.: 2022-084 and 2022-085) of the Company published on CNINFO on 22 November 2022.

VIII Material Matters

XVI. Other matters of significance *(Continued)*

2. Information disclosure index for 2022

Announcement no.	Subject matter	Date of publication	Publication website and index
2022-001	Announcement on the Continued Pledge of Shares held by Shareholders	15 January 2022	http://www.cninfo.com.cn
2022-002	Announcement on the Recognition of the Company and its Subsidiaries as High and New Technology Enterprises	11 February 2022	http://www.cninfo.com.cn
2022-003	Announcement on the Development of Equipment Financing Business by a Subsidiary	24 February 2022	http://www.cninfo.com.cn
2022-004	The First Indicative Announcement on Adjustment of Coupon Rate of "18 Chenming Bond 01" and Implementation Measures for Resale by Investors	25 February 2022	http://www.cninfo.com.cn
2022-005	The Second Indicative Announcement on Adjustment of Coupon Rate of "18 Chenming Bond 01" and Implementation Measures for Resale by Investors	1 March 2022	http://www.cninfo.com.cn
2022-006	The Third Indicative Announcement on Adjustment of Coupon Rate of "18 Chenming Bond 01" and Implementation Measures for Resale by Investors	3 March 2022	http://www.cninfo.com.cn
2022-007	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	12 March 2022	http://www.cninfo.com.cn
2022-008	Announcement on the Development of Equipment Financing Business by a Subsidiary	14 March 2022	http://www.cninfo.com.cn
2022-009	Announcement on the 2021 Annual Online Performance Briefing	28 March 2022	http://www.cninfo.com.cn
2022-010	Announcement on the Development of Equipment Financing Business by a Subsidiary	29 March 2022	http://www.cninfo.com.cn
2022-011	Announcement on Resolutions of the Twelfth Meeting of the Ninth Session of the Board of Directors	31 March 2022	http://www.cninfo.com.cn
2022-012	Announcement on Resolutions of the Twelfth Meeting of the Ninth Session of the Supervisory Committee	31 March 2022	http://www.cninfo.com.cn
2022-013	Notice of 2021 Annual General Meeting	31 March 2022	http://www.cninfo.com.cn
2022-014	2021 Annual Report Summary	31 March 2022	http://www.cninfo.com.cn
2022-015	Special Statement on Securities Investment in 2021	31 March 2022	http://www.cninfo.com.cn
2022-016	Announcement on Appointment of Auditor for 2022	31 March 2022	http://www.cninfo.com.cn
2022-017	Announcement on the Expected Continuing Related Party Transaction in 2022	31 March 2022	http://www.cninfo.com.cn
2022-018	Announcement on the Development of Equipment Financing Business	31 March 2022	http://www.cninfo.com.cn

VIII Material Matters

XVI. Other matters of significance *(Continued)*

2. Information disclosure index for 2022 *(Continued)*

Announcement no.	Subject matter	Date of publication	Publication website and index
2022-019	Announcement on Carrying out Factoring Business of Accounts Receivable	31 March 2022	http://www.cninfo.com.cn
2022-020	Announcement on Expected Provision of Guarantees to Subsidiaries for 2022	31 March 2022	http://www.cninfo.com.cn
2022-021	Special Statement on the Proposed Non-Distribution of Profit for 2021	31 March 2022	http://www.cninfo.com.cn
2022-022	Announcement on the Amendments to the Company's Relevant Systems	31 March 2022	http://www.cninfo.com.cn
2022-023	Announcement on the Provision of External Guarantees	31 March 2022	http://www.cninfo.com.cn
2022-024	Announcement on Loan Transfer and Related Party Transaction	31 March 2022	http://www.cninfo.com.cn
2022-025	Announcement on Results of Resale by Bondholders of "18 Chenming Bond 01"	31 March 2022	http://www.cninfo.com.cn
2022-026	Shandong Chenming Paper Holdings Limited Announcement on Payment of 2022 Interest with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018	31 March 2022	http://www.cninfo.com.cn
2022-027	Announcement on Receipt of Government Subsidies by Subsidiaries	1 April 2022	http://www.cninfo.com.cn
2022-028	Announcement on the Proposed Resale of "18 Chenming Bond 01" Sale-back Bonds	7 April 2022	http://www.cninfo.com.cn
2022-029	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	21 April 2022	http://www.cninfo.com.cn
2022-030	2022 First Quarterly Report	30 April 2022	http://www.cninfo.com.cn
2022-031	Announcement on the Results of Resale of "18 Chenming Bond 01" Bonds	10 May 2022	http://www.cninfo.com.cn
2022-032	Announcement on Resolutions of 2021 Annual General Meeting	12 May 2022	http://www.cninfo.com.cn
2022-033	Announcement on Resolutions of the Twenty-fourth Extraordinary Meeting of the Ninth Session of the Board of Directors	24 May 2022	http://www.cninfo.com.cn
2022-034	Announcement on Resolutions of the Seventh Extraordinary Meeting of the Ninth Session of the Supervisory Committee	24 May 2022	http://www.cninfo.com.cn
2022-035	Declaration by Nominator of Independent Director (Li Zhihui)	24 May 2022	http://www.cninfo.com.cn
2022-036	Declaration by Nominator of Independent Director (Sun Jianfei)	24 May 2022	http://www.cninfo.com.cn
2022-037	Declaration by Nominator of Independent Director (Yang Biao)	24 May 2022	http://www.cninfo.com.cn
2022-038	Declaration by Nominator of Independent Director (Yin Meiqun)	24 May 2022	http://www.cninfo.com.cn

VIII Material Matters

XVI. Other matters of significance *(Continued)*

2. Information disclosure index for 2022 *(Continued)*

Announcement no.	Subject matter	Date of publication	Publication website and index
2022-039	Declaration by Candidate for Independent Director (Li Zhihui)	24 May 2022	http://www.cninfo.com.cn
2022-040	Declaration by Candidate for Independent Director (Sun Jianfei)	24 May 2022	http://www.cninfo.com.cn
2022-041	Declaration by Candidate for Independent Director (Yang Biao)	24 May 2022	http://www.cninfo.com.cn
2022-042	Declaration by Candidate for Independent Director (Yin Meiqun)	24 May 2022	http://www.cninfo.com.cn
2022-043	Announcement on the Purchase of Liability Insurance for Directors, Supervisors and Senior Management	24 May 2022	http://www.cninfo.com.cn
2022-044	Notice of the First Extraordinary General Meeting of 2022	24 May 2022	http://www.cninfo.com.cn
2022-045	Announcement on Credit Rating Adjustment	30 May 2022	http://www.cninfo.com.cn
2022-046	Announcement on Resolutions of the Twenty-fifth Extraordinary Meeting of the Ninth Session of the Board of Directors	31 May 2022	http://www.cninfo.com.cn
2022-047	Notice on Cancellation of Certain Resolutions of 2022 First Extraordinary General Meeting and Supplementary Notice of the General Meeting	31 May 2022	http://www.cninfo.com.cn
2022-048	Announcement on Receipt of Government Subsidies by Subsidiaries	1 June 2022	http://www.cninfo.com.cn
2022-049	Announcement on Resolutions of the First Extraordinary General Meeting of 2022	16 June 2022	http://www.cninfo.com.cn
2022-050	Announcement on the Election of Employee Representative Supervisors	16 June 2022	http://www.cninfo.com.cn
2022-051	Announcement on Resolutions of the First Meeting of the Tenth Session of the Board of Directors	16 June 2022	http://www.cninfo.com.cn
2022-052	Announcement on Resolutions of the First Meeting of the Tenth Session of the Supervisory Committee	16 June 2022	http://www.cninfo.com.cn
2022-053	Announcement on the Progress of Litigation	21 June 2022	http://www.cninfo.com.cn
2022-054	Announcement on the Continued Pledge of Shares held by Shareholders	28 June 2022	http://www.cninfo.com.cn
2022-055	Announcement on Resolutions of the First Extraordinary Meeting of the Tenth Session of the Board	28 June 2022	http://www.cninfo.com.cn
2022-056	Announcement on Capital Increase and Introduction of Strategic Investors of a Majority-owned Subsidiary	28 June 2022	http://www.cninfo.com.cn
2022-057	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	13 July 2022	http://www.cninfo.com.cn
2022-058	2022 Interim Results Forecast	16 July 2022	http://www.cninfo.com.cn
2022-059	Announcement on Resolutions of the Second Extraordinary Meeting of the Tenth Session of the Board of Directors	19 July 2022	http://www.cninfo.com.cn
2022-060	Announcement on Resolutions of the First Extraordinary Meeting of the Tenth Session of the Supervisory Committee	19 July 2022	http://www.cninfo.com.cn
2022-061	Review Opinions on Relevant Matters Proposed at the First Extraordinary Meeting of the Tenth Session of the Supervisory Committee	19 July 2022	http://www.cninfo.com.cn

VIII Material Matters

XVI. Other matters of significance *(Continued)*

2. Information disclosure index for 2022 *(Continued)*

Announcement no.	Subject matter	Date of publication	Publication website and index
2022-062	Announcement on Fulfilment of the Unlocking Conditions for the First Unlocking Period under the 2020 Restricted A Share Incentive Scheme	19 July 2022	http://www.cninfo.com.cn
2022-063	Announcement on Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares	19 July 2022	http://www.cninfo.com.cn
2022-064	Announcement on Repurchase and Cancellation of Certain Restricted Shares and Notice to Creditors	19 July 2022	http://www.cninfo.com.cn
2022-065	Indicative Announcement on Release of Restricted Shares for the First Unlocking Period under the 2020 Restricted A Share Incentive Scheme for Listing and Trading	25 July 2022	http://www.cninfo.com.cn
2022-066	Announcement on Continued Pledge of Shares held by Shareholders and Partial Release of Pledge of Shares by Shareholders	26 July 2022	http://www.cninfo.com.cn
2022-067	Announcement on Resolution of the Third Extraordinary Meeting of the Tenth Session of the Board of Directors	29 July 2022	http://www.cninfo.com.cn
2022-068	Announcement on Capital Increase and Introduction of Strategic Investors of a Majority-owned Subsidiary	29 July 2022	http://www.cninfo.com.cn
2022-069	Announcement on Pledge of Shareholders' Shares	29 July 2022	http://www.cninfo.com.cn
2022-070	Announcement on Continued Pledge of Shares held by Shareholders	6 August 2022	http://www.cninfo.com.cn
2022-071	Announcement on the Preliminary Disclosure of Disposal of Shares by Certain Directors and Senior Management of the Company	13 August 2022	http://www.cninfo.com.cn
2022-072	2022 Interim Report Summary	31 August 2022	http://www.cninfo.com.cn
2022-073	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Technological Transformation Project	13 October 2022	http://www.cninfo.com.cn
2022-074	Announcement on Completion of Repurchase and Cancellation of Certain Restricted Shares	21 October 2022	http://www.cninfo.com.cn
2022-075	Announcement on the Release of Pledge of Shares held by Shareholders	27 October 2022	http://www.cninfo.com.cn
2022-076	Announcement on Resolutions of the Third Meeting of the Tenth Session of the Board of Directors	31 October 2022	http://www.cninfo.com.cn
2022-077	Announcement on Resolutions of the Third Meeting of the Tenth Session of the Supervisory Committee	31 October 2022	http://www.cninfo.com.cn
2022-078	2022 Third Quarterly Report	31 October 2022	http://www.cninfo.com.cn
2022-079	Announcement on Investment in Coniferous Wood Bleached Chemical Pulp Project with Annual Production Capacity of 300,000 Tonnes	31 October 2022	http://www.cninfo.com.cn

VIII Material Matters

XVI. Other matters of significance *(Continued)*

2. Information disclosure index for 2022 *(Continued)*

Announcement no.	Subject matter	Date of publication	Publication website and index
2022-080	Announcement on Investment in Construction of Special Paper Project with Annual Production Capacity of 180,000 Tonnes by Zhanjiang Chenming	31 October 2022	http://www.cninfo.com.cn
2022-081	Announcement on Continued Pledge of Shares held by Shareholders	5 November 2022	http://www.cninfo.com.cn
2022-082	Announcement on Expiry of Approval Regarding Change of Listing Venue of the Domestic Listed Foreign Shares and Their Listing and Trading on the Main Board of the Stock Exchange of Hong Kong Limited by Conversion	12 November 2022	http://www.cninfo.com.cn
2022-083	Announcement on Participation in the 2022 Annual Online Group Reception Day for Investors of Listed Companies in Shandong Jurisdiction	12 November 2022	http://www.cninfo.com.cn
2022-084	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Tenth Session of the Board of Directors	22 November 2022	http://www.cninfo.com.cn
2022-085	Announcement on Resolutions of the Second Extraordinary Meeting of the Tenth Session of the Supervisory Committee	22 November 2022	http://www.cninfo.com.cn
2022-086	Indicative Announcement on General Risks Regarding Asset Purchase Through Issuance of Shares and Cash Payments	22 November 2022	http://www.cninfo.com.cn
2022-087	Announcement on Not Convening General Meeting for Consideration of Matters Regarding Asset Purchase Through Issuance of Shares and Cash Payments at the Moment	22 November 2022	http://www.cninfo.com.cn
2022-088	Opinions of Supervisory Committee on Asset Purchase Through Issuance of Shares and Cash Payments	22 November 2022	http://www.cninfo.com.cn
2022-089	Announcement on Involvement in the Establishment of Limited Partnership Company by a Subsidiary	22 November 2022	http://www.cninfo.com.cn
2022-090	Announcement on Pledge of Shares and Continued Pledge of Shares held by Shareholders	25 November 2022	http://www.cninfo.com.cn
2022-091	Announcement on the Implementation Progress of the Share Disposal Plan by Certain Directors and Senior Management of the Company	7 December 2022	http://www.cninfo.com.cn
2022-092	Announcement on Resolutions of the Fifth Extraordinary Meeting of the Tenth Session of the Board of Directors	8 December 2022	http://www.cninfo.com.cn
2022-093	Announcement of Repayment of Debts by Pledge of Equity and Provision of External Guarantees	8 December 2022	http://www.cninfo.com.cn
2022-094	Announcement on Provision of External Guarantees	8 December 2022	http://www.cninfo.com.cn
2022-095	Notice of 2022 Second Extraordinary General Meeting	8 December 2022	http://www.cninfo.com.cn
2022-096	Poll Results of the 2022 Second Extraordinary General Meeting	24 December 2022	http://www.cninfo.com.cn

XVII. Matters of significant of subsidiaries of the Company

Applicable Not applicable

1. Introduction of strategic investors by Zhanjiang Chenming

On 27 June 2022, the first extraordinary meeting of the tenth session of the Board of the Company considered and approved the Proposal on Capital Contribution and Introduction of Strategic Investors of a Majority-owned Subsidiary. Given the recognition of Zhanjiang Chenming for its bright development prospect, Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) made capital contribution to Zhanjiang Chenming in the amount of RMB400 million, of which RMB266,351,374 was included in the registered capital and the remaining RMB133,648,626 was included in the capital reserve.

On 28 July 2022, the third extraordinary meeting of the tenth session of the Board of the Company considered and approved the Proposal on the Capital Contribution for Share Increase and Introduction of Strategic Investors for a Controlling Subsidiary. BOCOM Financial Assets Investment Co., Ltd. (“BOCOM Investment”) and Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership) (“Jiaohui Chenming Fund”) contributed capital to Zhanjiang Chenming, with a total capital contribution of RMB1,000 million. BOCOM Investment and Jiaohui Chenming Fund contributed RMB500 million and RMB500 million, respectively.

For details, please refer to the relevant announcements (announcement no.: 2022-055, 2022-056 and 2022-068) of the Company published on CNINFO on 28 June and 29 July 2022.

2. Business status of Chenming Leasing

At present, the Company focuses on the development of its principal activities, i.e. pulp production and paper making, and continues to reduce the size of the financial leasing business. As at the end of the reporting period, the balance of financial leases of Chenming Leasing decreased to RMB5.79 billion. Some financial lease receivables of Chenming Leasing were overdue due to factors such as the weak domestic economic environment with the overdue principals amounting to RMB1,791 million, for which provisions of RMB663 million were made, and a provision coverage rate of 37.02%. Certain assets have been seized through litigation. The Company has resorted to, among other things, control of the underlying assets, litigation for seizure, recovery for guarantors and debt reconstruction with the overall risks under control.

3. Construction and put into production of Shouguang Meilun household paper project

In order to optimise resources allocation, accelerate growth driver replacement and facilitate industry upgrade and transformation, the Company relocated the household paper production line of Wuhan Chenming to Shouguang Meilun. In September 2022, the household paper relocation project of Shouguang Meilun commenced trial operation. In December 2022, the project was officially put into production. Total investment of the project amounted to RMB460 million. The full set of equipment and control system of production was sourced from Valmet in Finland. The whole product line adopted most advanced equipment and system in the world, including double headbox, sharper, shoe press, Yankee dryer, high-temperature air cover, as well as the complete set of automatic DCS system, QCS system, electric transmission system and MES system, thus realising full automatic control. The width of paper-making machine is 5,600mm, with operation speed up to 2,000m/min. The project uses 100% virgin wood pulp as raw material. Products will undergo 450°C high-temperature sterilisation, and can be used for the production for different types of high-end paper products such as toilet paper roll, pocket tissue, facial tissue, napkin and paper towels, with annual production capacity up to 49,000 tonnes.

IX Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)				Closing balance		
	Amount	Percentage	New issue	Bonus issue	Shares converted from reserves	Others	Subtotal	Amount	Percentage
I. Restricted shares	84,733,521	2.84%				-23,243,684	-23,243,684	61,489,837	2.06%
1. Shares held by other domestic investors	84,733,521	2.84%				-23,243,684	-23,243,684	61,489,837	2.06%
Including: Shares held by domestic natural persons	84,733,521	2.84%				-23,243,684	-23,243,684	61,489,837	2.06%
II. Non-restricted shares	2,899,474,679	97.16%				18,777,684	18,777,684	2,918,252,363	97.94%
1. RMB ordinary shares	1,664,784,163	55.79%				18,777,684	18,777,684	1,683,561,847	56.50%
2. Domestic listed foreign shares	706,385,266	23.67%						706,385,266	23.71%
3. Overseas listed foreign shares	528,305,250	17.70%						528,305,250	17.73%
III. Total number of shares	2,984,208,200	100.00%				-4,466,000	-4,466,000	2,979,742,200	100.00%

The reasons for such changes

Applicable Not applicable

During the reporting period, 29,948,000 RMB ordinary shares were released under the first unlocking period of the 2020 Restricted A Share Incentive Scheme. In particular, 11,170,316 RMB ordinary shares were subject to 75% automatic lock-up for unlocking restricted shares held by Directors and Senior Management of the Company under Equity Incentive Scheme. The number of non-restricted shares increased by 18,777,684 in aggregate, while the number of restricted shares decreased by 18,777,684 in aggregate. During the reporting period, 4,466,000 restricted A shares held by participants but yet to be released were repurchased and cancelled as the unlocking conditions were not met. The number of restricted shares had decreased by 4,466,000 shares.

IX Changes in Share Capital and Shareholders

I. Changes in shares *(Continued)*

1. Changes in shares *(Continued)*

Approval of changes in shareholding

Applicable Not applicable

On 18 July 2022, the second extraordinary meeting of the tenth session of the Board and the first extraordinary meeting of the tenth session of the Supervisory Committee considered and approved the Resolution on the Fulfilment of the Unlocking Conditions of the Restricted Shares Granted under the 2020 Restricted A Share Incentive Scheme during the First Unlocking Period and the Resolution on the Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares. Independent Directors of the Company express their independent consent opinions.

There were 96 participants who fulfilled the unlocking conditions under the first unlocking period of the 2020 Restricted A Share Incentive Scheme, with 29,948,000 shares eligible for unlocking. There were 15 participants who did not fulfilled the unlocking conditions as he/she had resigned, changed duty and removed from office. The number of restricted shares held by participants but yet to be released amounted to 4,466,000 in aggregate, representing 5.61% of total number of shares granted under the 2020 Restricted A Share Incentive Scheme.

Transfer of shares arising from changes in shareholding

Applicable Not applicable

The effects of changes in shareholding on financial indicators such as basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company for the latest year and the latest period

Applicable Not applicable

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

Applicable Not applicable

IX Changes in Share Capital and Shareholders

I. Changes in shares (Continued)

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Name of shareholders	Restricted shares at the beginning of period	Restricted shares released during the period	Restricted shares increased during the period	Restricted shares at the end of period	Reason for restriction	Date of release from restriction
Chen Hongguo	23,310,033	0	0	23,310,033	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	In accordance with the equity incentive plan (draft) and relevant requirements for shares held by Directors, Supervisors and Senior Management
Hu Changqing	5,032,143	0	1,250,000	3,782,143	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022
Li Xingchun	5,000,000	0	1,250,000	3,750,000	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022
Li Feng	3,679,520	0	750,000	2,929,520	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022
Li Weixian	2,003,600	0	442,700	1,560,900	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022
Li Kang	111,975	0	0	111,975	Locked-up shares of Directors, Supervisors and Senior Management	In accordance with relevant requirements for shares held by Directors, Supervisors and Senior Management
Li Xueqin	3,000,000	0	104,009	2,895,991	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022
Li Zhenzhong	2,084,750	0	500,000	1,584,750	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022
Li Mingtang	1,000,000	0	250,000	750,000	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022

IX Changes in Share Capital and Shareholders

I. Changes in shares (Continued)

2. Changes in restricted shares

Name of shareholders	Restricted shares at the beginning of period	Restricted shares released during the period	Restricted shares increased during the period	Restricted shares at the end of period	Reason for restriction	Date of release from restriction
Dong Lianming	1,000,000	0	250,000	750,000	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022
Yuan Xikun	333,525	0	75,000	258,525	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	26 July 2022
Chen Gang	1,104,775	0	504,775	600,000	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	400,000 restricted shares under the Equity Incentive Scheme were released on 26 July 2022; 104,775 locked-up shares of Directors, Supervisors and Senior Management were released on 14 December 2022.
Geng Guanglin	2,716,950	0	2,716,950	0	Restricted shares of the participants of the Equity Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	2,000,000 restricted shares under the Equity Incentive Scheme were released on 18 October 2022; 716,950 locked-up shares of Directors, Supervisors and Senior Management were released on 9 December 2022.
Li Dong	56,250	0	56,250	0	Locked-up shares of Directors, Supervisors and Senior Management	9 December 2022
Other 99 participants under the 2020 Restricted A Share Incentive Scheme	34,300,000	0	15,094,000	19,206,000	Restricted shares of the participants of the Equity Incentive Scheme	12,628,000 restricted shares under the Equity Incentive Scheme were released on 26 July 2022. 2,466,000 restricted shares under the Equity Incentive Scheme completed registration for repurchase and cancellation on 18 October 2022.
Total	84,733,521	0	23,243,684	61,489,837	—	—

IX Changes in Share Capital and Shareholders

II. Issuance and listing of securities

1. Issuance of securities (excluding preference shares) during the reporting period

Applicable Not applicable

2. Changes in the total number of shares and structure of shareholders and the structure of the assets and liabilities of the Company

Applicable Not applicable

On 18 July 2022, the second extraordinary meeting of the tenth session of the Board and the first extraordinary meeting of the tenth session of the Supervisory Committee considered and approved the Resolution on the Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares. On 18 October 2022, the Company completed the registration of the repurchase and cancellation of certain restricted shares granted to 15 participants but yet to be released under the 2020 Restricted A Share Incentive Scheme, with a total of 4,466,000 A shares repurchased and cancelled. The total number of shares of the Company changed from 2,984,208,200 to 2,979,742,200. The controlling shareholder of the Company remained unchanged. Upon the repurchase and cancellation of 4,466,000 A shares by the Company, there was no change in net assets, while assets and liabilities decreased by RMB12.7281 million simultaneously.

3. Existing staff shares

Applicable Not applicable

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers

1. Total number of shareholders and shareholdings

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	156,799, of which 134,311 were holders of A shares, 22,159 were holders of B shares and 329 were holders of H shares	Total number of ordinary shareholders as at the end of the month prior to the publication date of this annual report	156,371, of which 133,998 were holders of A shares, 22,044 were holders of B shares and 329 were holders of H shares	Total number of holders of preference shares with restored voting right as at the end of the reporting period	0	Total number of holders of preference shares with restored voting right as at the end of the month prior to the disclosure date of the annual report	0
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Shareholdings of shareholders interested in more than 5% of the shares of the Company or Top 10 shareholders

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period		Number of non-restricted shares held	Share pledged or locked-up Status of shares	Number
				Number of restricted shares held	Number of non-restricted shares held			
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.35%	457,322,919	0	0	457,322,919	Pledged	251,440,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.53%	373,388,625	-117,750	0	373,388,625		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.22%	364,131,563	0	0	364,131,563		
Hong Zejun	Domestic natural person	2.57%	76,700,000	76,700,000	0	76,700,000		
Chen Hongguo	Domestic natural person	1.04%	31,080,044	0	23,310,033	7,770,011		
SHANDONG SUN HOLDINGS GROUP CO., LTD.	Domestic non-state-owned legal person	0.84%	24,987,117	8,599,300	0	24,987,117		
HONG KONG SECURITIES CLEARING COMPANY LIMITED	Overseas legal person	0.59%	17,712,081	3,651,110	0	17,712,081		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.50%	14,771,945	0	0	14,771,945		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.49%	14,688,346	674,700	0	14,688,346		
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	Overseas legal person	0.28%	8,434,361	-2,078,802	0	8,434,361		
Strategic investors or general legal persons who become the top ten shareholders due to the placement of new shares	Nil							
Related party relationship or acting in concert among the above shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Chenming Holdings Company Limited, which is a state-owned legal person; A shareholder, Chen Hongguo, is the legal representative, chairman and general manager of Chenming Holdings Company Limited. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.							
Explanation of the aforementioned shareholders' entrusted/entrusted voting rights and waiver of voting rights	Nil							
Special explanation for designated repurchase accounts among the top ten shareholders	Nil							

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

1. Total number of shareholders and shareholdings (Continued)

Name of shareholder	Shareholdings of the top ten non-restricted shareholders Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	457,322,919	RMB ordinary shares	457,322,919
HKSCC NOMINEES LIMITED	373,388,625	Overseas listed foreign shares	373,388,625
CHENMING HOLDINGS (HONG KONG) LIMITED	364,131,563	Domestic listed foreign shares	210,717,563
		Overseas listed foreign shares	153,414,000
Hong Zejun	76,700,000	RMB ordinary shares	76,700,000
SHANDONG SUN HOLDINGS GROUP CO., LTD.	24,987,117	RMB ordinary shares	24,987,117
HONG KONG SECURITIES CLEARING COMPANY LIMITED	17,712,081	RMB ordinary shares	17,712,081
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,771,945	Domestic listed foreign shares	14,771,945
VANGUARD EMERGING MARKETS STOCK INDEX FUND	14,688,346	Domestic listed foreign shares	14,688,346
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	8,434,361	Domestic listed foreign shares	8,434,361
Jin Xing	8,370,205	Domestic listed foreign shares	8,370,205
Related party relationship or acting in concert among the top ten shareholders of non-restricted shares, and between the top ten shareholders of non-restricted shares and the top ten shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Chenming Holdings Company Limited, which is a state-owned legal person. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.		
Securities margin trading of top ten ordinary Shareholders	Chenming Holdings Company Limited held 457,322,919 RMB ordinary shares, of which 326,322,919 shares were held through ordinary account and 131,000,000 shares were held through credit guarantee security account; Hong Zejun held 76,700,000 RMB ordinary shares, of which no share was held through ordinary account and 76,700,000 shares were held through credit guarantee security account; Shandong Sun Holdings Group Co., Ltd. held 24,987,117 RMB ordinary shares, of which no share was held through ordinary account and 24,987,117 shares were held through credit guarantee security account.		

Whether an agreed repurchase transaction was entered into during the reporting period by the top 10 ordinary shareholders and top 10 non-restricted ordinary shareholders of the Company

Yes No

The top 10 ordinary shareholders and top 10 non-restricted ordinary shareholders of the Company did not enter into any agreed repurchase transaction during the reporting period.

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

2. Controlling shareholders of the Company

Nature of controlling shareholder: regional state-owned enterprise

Type of controlling shareholder: legal person

Name of controlling shareholders	Legal representative/Person in charge of the unit	Date of establishment	Enterprise code	Principal business
CHENMING HOLDINGS COMPANY LIMITED	Chen Hongguo	30 December 2005	91370783783485189Q	Investment in paper making, electricity, heat and arboriculture by its own capital.
Shareholdings of controlling shareholders who have control or hold shares in other domestic or overseas listed companies during the reporting period		Save for the Company, Chenming Holdings Company Limited does not have control over or hold any equity interest of other domestic or overseas listed companies.		

Change of controlling shareholders during the reporting period

Applicable Not applicable

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

3. Beneficial controller of the Company and persons acting in concert

Nature of the beneficial controller: Regional state-owned assets administration authority

Type of the beneficial controller: legal person

Name of beneficial controller	Legal representative/Person in charge of the unit	Date of establishment	Enterprise code	Principal business
State-owned Assets Supervision and Administration Bureau of Shouguang City	N/A	1 August 1991	N/A	Responsible for the management and capital operation of the state-owned assets of enterprises and business units in Shouguang city.
Shareholdings of beneficial controller who has control or holds shares in other domestic or overseas listed companies during the reporting period	Save for the Company, State-owned Assets Supervision and Administration Office of Shouguang City is also the beneficial controller of Shandong Molong Petroleum Machinery Co. Ltd.			

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

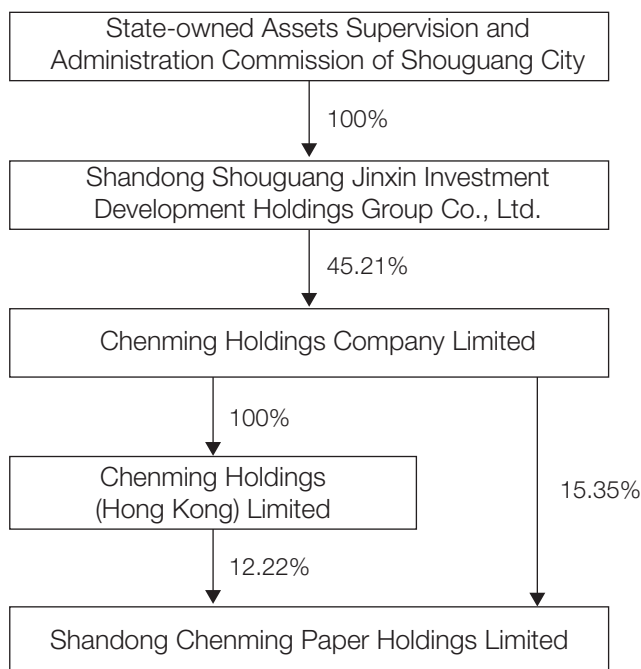
3. Beneficial controller of the Company and persons acting in concert (Continued)

Change of beneficial controller during the reporting period

Applicable Not applicable

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

Chart illustrating the relationship between the Company and the beneficial controller



Beneficial controller controlling the Company through trust or other asset management method

Applicable Not applicable

4. The number of shares pledged by the controlling shareholder or the largest shareholder of the Company and persons acting in concert with it reaches 80% of the number of shares held by them in aggregate

Applicable Not applicable

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers *(Continued)*

5. Other legal person shareholders interested in over 10% of the shares of the Company
 Applicable Not applicable
6. Restrictions on decrease in shareholding by controlling shareholders, beneficial controller, reorganising party and other undertaking parties
 Applicable Not applicable

IV. The implementation of share repurchase during the reporting period

Progress of share repurchase

- Applicable Not applicable

Progress of decrease in the holding of repurchased shares by way of bidding

- Applicable Not applicable

X Preference Shares

Applicable Not applicable

The Company had no preference shares during the reporting period.

XI Bonds

Applicable Not applicable

I. Enterprise bonds

Applicable Not applicable

The Company had no enterprise bonds during the reporting period.

II. Corporate Bonds

Applicable Not applicable

1. Basic information on Corporate Bonds

Unit: RMB

Name of bond	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Outstanding amount of the bonds	Interest rate	Payment method	Trading venue
The public issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (phase I)	18 Chenming Bond 01	112641	29 March 2018	2 April 2018	2 April 2023	350,000,000.00	6.50%	Interest is paid annually. The principal amount and interest for the last tranche will be paid on the maturity date.	Shenzhen Stock Exchange
Investor eligibility arrangement (if any)								Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.	
Applicable trading mechanism								Dual listing and trading on the centralised bidding system and the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange	
Whether there are delisting risks (if any) and countermeasures								No	

Overdue and outstanding bonds

Applicable Not applicable

II. Corporate Bonds *(Continued)*

2. Triggering and execution of issuer's or investor's option clause or investor protection clause

Applicable Not applicable

“18 Chenming Bond 01” is attached with options for the issuer to adjust the coupon rate and for investors to resell. The issuer of “18 Chenming Bond 01” has the right to determine the adjustment to the coupon rate for the following 3 years at the end of the second year and the adjustment to the coupon rate for the following year as the end of the fourth year. If the issuer does not exercise the option to adjust the coupon rate, the coupon rate for the subsequent term will remain unchanged. After issuing the announcement on whether the coupon rate of the relevant tranche of bonds will be adjusted and the range of adjustment, the investors have the right to register for reselling during the period as announced to resell all or part of the relevant tranche of bonds held to the issuer at par value.

The Company chose to lower the coupon rate of “18 Chenming Bond 01” to 6.50% at the end of the fourth year as agreed in the Prospectus on the Public Issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2018 (phase I). Bondholders of “18 Chenming Bond 01” could declare resale in whole or in part for “18 Chenming Bond 01” bonds they held on 28 February, 1 March, 2 March, 3 March and 4 March 2022 at a resale price of RMB100 per bond (interests exclusive). According to the data provided by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the amount of the “18 Chenming Bond 01” for this resale was 1,955,000.00, and the total amount of the resale was RMB195,500,000.00 (interests exclusive) with a remaining custodial amount of 1,545,000.00.

From 8 April 2022 to 30 April 2022, the Company handled the resale of bonds to be resold in accordance with relevant regulations. The number of resale bonds completed was 1,955,000.00 at an average resale price of RMB100 per bond. Upon the completion of the resale, there were no bonds that had not been resold, and the remaining custodial amount of “18 Chenming Bond 01” was 3,500,000.00.

For details, please refer to the relevant announcements (announcement no.: 2022-004, 2022-005, 2022-006, 2022-025, 2022-028 and 2022-031) of the Company published on CNINFO on 25 February, 1 March, 3 March, 31 March, 7 April and 10 May 2022.

XI Bonds

II. Corporate Bonds (Continued)

3. Particulars of intermediary organisations

Bond Name	Name of the intermediary organisation	Business address	Name of Signing accountant	Contact person of the intermediary organisation	Contact no.
The public issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (phase I)	GF Securities Co., Ltd.	37th Floor, Taikang Insurance Building, No. 429 Nanquan North Road, Pudong New Area, Shanghai	N/A	Jiang Chuan	021-38003800-3705
	China Chengxin Securities Rating Co., Ltd.	Building 6, Yinhe Soho, No. 2 Nanzhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing	N/A	Sun Shu	010-66428877
	Beijing Zhonglun W&D Law Firm	19th Floor, Jintai Building, No. 1 Xibahe South Road, Chaoyang District, Beijing	N/A	Yao Zhengwang	010-64402232
	Ruihua China CPAs (Special General Partnership)	Corporate Square, 35 Finance Street, Xicheng District, Beijing	Wang Zongpei and Zhao Yanmei	Wang Zongpei	010-88091190

Change of the above intermediary organisations during the reporting period

Yes No

XI Bonds

II. Corporate Bonds (Continued)

4. Use of proceeds

Unit: RMB

Bond Name	Total amount of proceeds	Utilised amount	Unutilised amount	Operation of special account for the proceeds (if any)	Rectification of irregularities in the use of proceeds (if any)	Is the use of proceeds consistent with the use of proceeds guaranteed under the prospectus, proposed use of proceeds and other agreement?
The public issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (phase I)	900,000,000.00	900,000,000.00	0.00	Special account for proceeds is used for the deposit of special capital from bonds	Nil	Yes

Proceeds to be used for construction projects

Applicable Not applicable

Change in the use of proceeds from the above bonds during the reporting period

Applicable Not applicable

5. Adjustment of credit rating results during the reporting period

Applicable Not applicable

On 26 May 2022, China Chengxin International Credit Rating Co., Ltd. (“China Chengxin International”) issued the Follow-up Rating Report (2022) with Respect to the Public Issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2018 (phase I) (Xin Ping Wei Han Zi [2022] Gen Zong No. 0343). China Chengxin International adjusted the issuer credit rating of the Company at AA+, the credit rating of “18 Chenming Bond 01” at AA+, and the negative rating outlook, to: the issuer credit rating of the Company at AA+ and the credit rating of “18 Chenming Bond 01” at AA+ unchanged, and the issuer and debt credit ratings included in the credit rating watch list.

For further details, please refer to the Follow-up Rating Report (2022) with Respect to the Public Issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2018 (phase I) disclosed on CNINFO on 26 May 2022.

XI Bonds

II. Corporate Bonds (Continued)

6. Implementation of and changes in guarantee, debt repayment plan and other repayment guarantee measures during the reporting period and their impacts on the rights and interests of bond investors

Applicable Not applicable

“18 Chenming Bond 01” bonds are unsecured bonds. During the reporting period, the Company was able to strictly implement the debt repayment plan, and paid the interest on time and in full according to the time stipulated in the prospectus. Its debt repayment plan and other debt repayment guarantee measures remained unchanged, and were consistent with the relevant commitments in the prospectus.

III. Non-financial corporate debt financing instruments

Applicable Not applicable

1. Basic information of non-financial corporate debt financing instruments

Unit: RMB

Bond Name	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Outstanding amount of the bonds	Interest rate	Payment method	Trading venue
2017 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	17 Lu Chenming MTN001	101779001	11 July 2017	12 July 2017	N/A	1,000,000,000.00	8.97%	Perpetual mid-term notes. Interest is paid annually and the principal is repaid upon maturity.	Inter-bank bond market
Investor eligibility arrangement (if any)				Nil					
Applicable trading mechanism				Inter-bank bond market trading mechanism					
Whether there are delisting risks (if any) and countermeasures				N/A					

Overdue and outstanding bonds

Applicable Not applicable

2. Triggering and execution of issuer's or investor's option clause or investor protection clause

Applicable Not applicable

XI Bonds

III. Non-financial corporate debt financing instruments *(Continued)*

3. Particulars of intermediary organisations

Bond Name	Name of the intermediary organisation	Business address	Name of signing accountant	Contact person of the intermediary organisation	Contact no.
2017 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	China Galaxy Securities Co., Ltd.	11/F, Tower C, Corporate Square 35 Finance Street, Xicheng District, Beijing	N/A	Dong Desen	010-66568876
	Hengfeng Bank Co., Ltd.	No. 248 South Street, Zhifu District, Yantai, Shandong Province	N/A	Wang Wanjun	010-83571412
	China Chengxin Securities Rating Co., Ltd.	Building 6, Yinhe Soho, No. 2 Nanzhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing	N/A	Sun Shu	010-66428877
	Beijing Zhonglun W&D Law Firm	19th Floor, Jintai Building, No. 1 Xibahe South Road, Chaoyang District, Beijing	N/A	Yao Zhengwang	010-64402232
	Ruihua China CPAs (Special General Partnership)	Corporate Square, 35 Finance Street, Xicheng District, Beijing	Wang Zongpei and Zhao Yanmei	Wang Zongpei	010-88091190

Change of the above intermediary organisations during the reporting period

Yes No

XI Bonds

III. Non-financial corporate debt financing instruments *(Continued)*

4. Use of proceeds

Unit: RMB

Bond Name	Total amount of proceeds	Utilised amount	Unutilised amount	Operation of special account for the proceeds	Rectification of irregularities in the use of proceeds (if any)	Is the use of proceeds consistent with the use of proceeds guaranteed under the prospectus, proposed use of proceeds and other agreement?
2017 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	1,000,000,000.00	1,000,000,000.00	0.00	Special account for proceeds is used for the deposit of special capital from bonds	No	Yes

Proceeds to be used for construction projects

Applicable Not applicable

Change in the use of proceeds from the above bonds during the reporting period

Applicable Not applicable

5. Adjustment of credit rating results during the reporting period

Applicable Not applicable

On 26 May 2022, China Chengxin International issued the Follow-up Rating Report of Shandong Chenming Paper Holdings Limited 2022 (Xin Ping Wei Han Zi [2022] Gen Zong No. 0345). China Chengxin International adjusted the issuer credit rating of the Company at AA+, the credit ratings of “17 Lu Chenming MTN001”, “18 Lu Chenming MTN002”, “19 Lu Chenming MTN001” and “19 Lu Chenming MTN002” at AA+, and the negative rating outlook, to: the issuer credit rating of the Company at AA+ and the credit ratings of “17 Lu Chenming MTN001”, “18 Lu Chenming MTN002”, “19 Lu Chenming MTN001” and “19 Lu Chenming MTN002” at AA+ unchanged, and the issuer and debt credit ratings included in the credit rating watch list.

For further details, please refer to the Follow-up Rating Report of Shandong Chenming Paper Holdings Limited 2022 disclosed on Chinamoney on 26 May 2022.

XI Bonds

III. Non-financial corporate debt financing instruments *(Continued)*

6. Implementation of and changes in guarantee, debt repayment plan and other repayment guarantee measures during the reporting period and their impacts on the rights and interests of bond investors

Applicable Not applicable

“17 Lu Chenming MTN001”, is not guaranteed. During the reporting period, the Company was able to strictly implement the debt repayment plans, and paid the interest on time and in full according to the time stipulated in the prospectuses. Their debt repayment plans and other debt repayment guarantee measures remained unchanged, which were consistent with the relevant commitments in the prospectuses.

IV. Convertible bonds

Applicable Not applicable

The Company had no convertible bonds during the reporting period.

V. The loss in the scope of the consolidated financial statements during the reporting period exceeding 10% of the net assets as at the end of the prior year

Applicable Not applicable

VI. Overdue interest-bearing debts other than bonds at the end of the reporting period

Applicable Not applicable

VII. Breaches of the regulations during the reporting period

Yes No

XI Bonds

VIII. Major accounting data and financial indicators of the Company over the past two years as at the end of the reporting period

Unit: RMB'0,000

Item	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Current ratio	63.04%	65.05%	-2.01%
Gearing ratio	71.85%	72.76%	-0.91%
Quick ratio	49.90%	54.59%	-4.69%

Item	The reporting period	The corresponding period of the prior year	Increase/decrease of the reporting period as compared to corresponding period of the prior year
Net profit after extraordinary gains or losses	-36,145.94	174,387.65	-120.73%
Proportion of EBITDA to total debts	8.61%	13.43%	-4.82%
Interest coverage ratio	1.09%	2.12	-48.58%
Cash interest coverage ratio	2.74%	4.45	-38.43%
EBITDA interest coverage ratio	2.30%	3.32	-30.72%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

Note: EBITDA=Total profit+interest expenses-interest income+depreciation of fixed assets+amortisation of investment property+amortisation of intangible assets+amortisation of long-term prepaid expenses

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I. Auditors' Report

Type of auditor's opinion	Standard and unqualified opinions
The date of the audit report signed	30 March 2023
Name of the auditor	Grant Thornton (Special General Partnership)
Reference number of the auditor's report	Zhi Tong Shen Zi (2023) No. 371A006018
Name of certified public accountants	Liu Jian and Jiang Lei

Text of the auditor's report

To all shareholders of Shandong Chenming Paper Holdings Limited:

I. Auditor's opinion

We have audited the financial statements of Shandong Chenming Paper Holdings Limited (hereinafter "Chenming Paper"), which comprise the consolidated and the Company's balance sheets as at 31 December 2022, the consolidated and the Company's profit and loss statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in shareholders' equity for 2022 and notes to the relevant financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and the Company's financial position of Chenming Paper as at 31 December 2022 and of its consolidated and the Company's operating results and cash flows for 2022.

II. Basis of opinions

We have conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the responsibilities of certified public accountants for the audit of the financial statements section of the auditor's report. We are independent of Chenming Paper in accordance with the ethical codes of Chinese certified public accountants, and we have fulfilled our other ethical responsibilities in accordance with the codes. 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 for 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, we do not provide a separate opinion on these matters.

(I) Impairment provision test for inventories of machine-made paper

For detailed disclosures of relevant information, please see note V. 12 and note VII. 7 of the financial statements.

1. Details

The inventory balance of Chenming Paper as at the end of 2022 was RMB6,856,750,700, of which the balance of raw materials, work in progress and goods in stock related to machine-made paper business was RMB4,221,963,900, with a provision for impairment of inventories of RMB34,834,500 and a carrying value of RMB4,187,129,400. As at the balance sheet date, inventories of machine-made paper are measured at the lower of cost or net realisable value by the management of Chenming Paper (the “management”), and provision for impairment of inventories is made on the basis of the excess of the cost of an individual inventory over its net realisable value. The management determines the estimated selling price based on historical selling prices, contracted selling prices, etc., taking into account the purpose for which the inventories are held, and the net realisable value of inventories is determined by deducting the estimated costs to be incurred to completion, estimated selling expenses and related taxes from the estimated selling price.

We have identified impairment provision test for inventories of machine-made paper as a key audit matter due to the significant amount of inventories of machine-made paper and the significant management judgement involved in determining the net realisable value of inventories.

2. Application for auditing

We have carried out the following audit procedures for the impairment provision test for inventories of machine-made paper:

- (1) we identified and evaluated and tested the effectiveness of the design and operation of key internal controls related to impairment provision for inventories of machine-made paper;
- (2) we identified and evaluated whether the accounting policies and accounting estimates of Chenming Paper for impairment provision for inventories of machine-made paper comply with the Accounting Standards for Business Enterprises and industry practices;
- (3) we supervised inventory taking and monitored the status of inventories of machine-made paper, and checked the identification of obsolete and aged inventories;
- (4) we obtained an inventory ageing schedule of machine-made paper and performed a review of the status and turnover of aged inventories; and
- (5) we obtained a copy of the inventory impairment table of machine-made paper, assessed the reasonableness of the significant estimates made by management in determining the net realisable value by reviewing subsequent selling prices, and performed recalculations.

(II) Recognition of revenue from machine-made paper

For detailed disclosures of relevant information, please see note V. 29 and note VII. 47 of the financial statements.

1. Details

For the year 2022, Chenming Paper achieved operating revenue of RMB32,004,367,300, of which RMB29,442,135,200 was from machine-made paper and pulp, accounting for 91.99% of the operating revenue. For domestic machine-made paper sales business, Chenming Paper recognised the revenue after the goods were delivered and signed by the customer for confirmation; for foreign machine-made paper sales business, Chenming Paper recognised the revenue after the goods were loaded on board and declared.

As revenue is one of the key performance indicators of Chenming Paper, and the revenue from the sales of machine-made paper accounts for a relatively huge proportion of the total revenue due to its enormous sales volume, there may be potential misstatement in relation to whether revenue recognition is accounted for in the appropriate period of the financial statements, which has a significant impact on the financial statements. Therefore, we have identified recognition of revenue from machine-made paper as a key audit matter.

2. Application for auditing

We have carried out the following audit procedures for the recognition of revenue from machine-made paper:

- (1) we identified, evaluated and tested the effectiveness of the design and operation of key internal controls related to machine-made paper sales business of Chenming Paper;
- (2) we conducted sampling inspections on sales contracts, identified contract terms and conditions related to the transfer of control of the goods, assessed whether the timing of recognition of sales revenue from Chenming Paper meets the requirements of the Accounting Standards for Business Enterprises;
- (3) we analysed revenue and gross profit by taking into account product types and identified whether the abnormal fluctuations in the amount of revenue are reasonable in the current period;
- (4) we inspected the occurrence of on-the-spot recognition of sales at the end of the inspection period and inspected goods returns after the inspection period to determine the accuracy of revenue recognition during the period;
- (5) we collected samples from sales revenue recorded around the balance sheet date for cut-off tests; verified delivery orders and other supporting documents to assess whether sales revenue is recorded in the appropriate accounting period; and
- (6) we sought external confirmations for clients with larger sales during the period.

IV. Other information

The management of Chenming Paper is responsible for other information. Other information includes the information covered in the 2022 annual report of Chenming Paper, but does not include the financial statements and our audit report.

Our audit opinions published in the financial statements do not cover other information and we do not publish any form of assurance conclusion on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information, during which we consider whether there is significant inconsistency or other material misstatement of other information with the financial statements or what we have learned during the audit.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have nothing to report.

V. Management and management responsibility for financial statements

The management of Chenming Paper is responsible for the preparation of financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises to enable them to achieve fair reflection, and to achieve the design, implementation and maintenance of necessary internal controls so that the financial statements are free of material misstatements due to fraud or errors.

In the preparation of the financial statements, the management is responsible for assessing the continuing operations capabilities of Chenming Paper, disclosing issues related to going concern (if applicable), and applying the going concern assumption unless the management plans to liquidate Chenming Paper, terminate operations or have no other realistic options.

The management is responsible for supervising the financial reporting process of Chenming Paper.

VI. Auditor's responsibility for auditing financial statements

Our objective is to obtain reasonable assurance as to whether the entire financial statements are free from material misstatement due to fraud or errors and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards can always discover a major misstatement when it exists. Misstatements may be caused by fraud or errors, and are generally considered to be material if it is reasonably expected that misstatements, individually or in aggregate, may affect the economic decision made by users of financial statements based on the financial statements.

In the process of conducting audit work in accordance with auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also perform the following tasks:

- (1) To identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence, together perform as a basis for issuing audit opinions. Since fraud may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to an error.
- (2) To understand audit-related internal controls to design appropriate audit procedures.

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- (3) To evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and related disclosures.
- (4) To conclude on the appropriateness of management's use of the continuing operation assumption. At the same time, according to the audit evidence obtained, it may lead to conclusions as to whether there are significant uncertainties in matters or circumstances that have significant doubts about the ability of Chenming Paper to continue its operations. If we conclude that there are significant uncertainties, the auditing standards require us to request the users of the report to pay attention to the relevant disclosures in the financial statements in the audit report; if the disclosure is not sufficient, we should publish modified audit report. Our conclusions are based on the information available as of the date of the audit report. However, future events or conditions may cause Chenming Paper to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure, and content of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and matters.
- (6) To obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Chenming Paper to express opinions on the financial statements. We are responsible for guiding, supervising and executing group audits, and take full responsibility for the audit opinion.

We communicate with the management on planned audit scope, time arrangements and major audit findings, including communication of the internal control deficiencies that we identified during the audit.

We also provide statements to the management on compliance with ethical requirements related to independence, and communicate with the management on all relationships and other matters that may reasonably be considered to affect our independence, as well as related preventive measures (if applicable).

From the matters we communicated with the management, we determine which matters are most important for the audit of the financial statements for the current period and thus constitute the key audit matters. We describe these matters in our audit report, unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of disclosing something in the audit report will outweigh the benefits to the public interest, we determine that the matter should not be reported in the audit report.

Grant Thornton
(Special General Partnership)

Chinese Certified Public Accountant : Liu Jian
(Project Partner)
Chinese Certified Public Accountant: Jiang Lei

Beijing, China

30 March 2023

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II. Financial Statements

The unit in the notes to the financial statements is: RMB

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

31 December 2022

Unit: RMB

Item	31 December 2022	31 December 2021
CURRENT ASSETS:		
Monetary funds	14,000,434,986.08	14,119,782,939.66
Financial assets held for trading	74,708,444.88	110,886,182.88
Bills receivable		
Accounts receivable	3,212,260,445.96	2,656,517,150.46
Accounts receivable financing	924,960,384.16	435,459,341.76
Prepayments	788,191,626.82	891,485,078.46
Other receivables	1,717,445,443.44	2,252,864,083.00
Including: Interest receivable		
Dividend receivable		
Inventories	6,821,916,159.95	5,282,631,922.12
Non-current assets due within one year	3,998,724,415.85	5,216,934,172.61
Other current assets	1,180,807,801.62	1,903,929,492.85
Total current assets	32,719,449,708.76	32,870,490,363.80

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Item	31 December 2022	31 December 2021
NON-CURRENT ASSETS:		
Long-term receivables	1,486,807,783.47	1,788,759,975.35
Long-term equity investments	4,277,013,369.56	1,894,794,764.19
Other non-current financial assets	786,750,761.62	519,927,003.25
Investment property	6,256,723,113.15	6,473,538,431.91
Fixed assets	33,797,738,695.30	35,653,492,676.15
Construction in progress	558,866,880.36	197,749,526.05
Bearer biological assets	13,697,336.80	
Right-of-use assets	181,614,699.25	197,429,176.44
Intangible assets	1,831,338,830.92	1,592,672,934.54
Goodwill	26,946,905.38	26,946,905.38
Long-term prepaid expenses	44,462,851.45	49,141,773.14
Deferred income tax assets	1,335,700,565.60	1,114,781,456.78
Other non-current assets	983,905,908.00	489,936,694.10
Total non-current assets	51,581,567,700.86	49,999,171,317.28
Total assets	84,301,017,409.62	82,869,661,681.08

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Item	31 December 2022	31 December 2021
CURRENT LIABILITIES:		
Short-term borrowings	36,385,048,295.02	33,523,025,186.22
Bills payable	3,128,595,835.04	3,089,512,327.40
Accounts payable	4,114,966,767.76	3,871,131,345.34
Receipts in advance	14,261,436.67	38,274,028.20
Contract liabilities	1,306,029,389.80	1,382,289,597.54
Employee benefits payable	144,925,887.00	169,899,008.01
Taxes payable	261,011,669.09	321,495,480.67
Other payables	1,870,403,909.17	1,538,013,585.93
Including: Interest payable	15,895,930.51	55,437,777.80
Dividend payable		
Non-current liabilities due within one year	4,673,505,241.86	6,601,311,227.98
Total current liabilities	51,898,748,431.41	50,534,951,787.29

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Item	31 December 2022	31 December 2021
NON-CURRENT LIABILITIES:		
Long-term borrowings	3,982,236,251.08	5,276,340,154.98
Bonds payable		155,000,000.00
Lease liabilities	53,596,047.46	57,281,205.81
Long-term payables	3,160,771,126.31	2,358,901,022.99
Provisions		325,259,082.28
Deferred income	1,469,230,468.46	1,573,681,684.25
Deferred income tax liabilities	8,181,264.29	13,210,529.74
Total non-current liabilities	8,674,015,157.60	9,759,673,680.05
Total liabilities	60,572,763,589.01	60,294,625,467.34

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Item	31 December 2022	31 December 2021
OWNERS' EQUITY:		
Share capital	2,979,742,200.00	2,984,208,200.00
Other equity instruments	996,000,000.00	996,000,000.00
Including: Preference shares		
Perpetual Bonds	996,000,000.00	996,000,000.00
Capital reserves	5,361,200,522.29	5,227,258,100.41
Less: Treasury shares	128,780,100.00	226,860,000.00
Other comprehensive income	-821,940,694.57	-445,582,729.36
Special reserves	15,791,710.95	
Surplus reserves	1,212,009,109.97	1,212,009,109.97
General risk provisions	79,900,268.71	76,825,918.60
Retained profit	9,390,642,477.57	9,294,126,706.86
Total equity attributable to owners of the Company	19,084,565,494.92	19,117,985,306.48
Minority interest	4,643,688,325.69	3,457,050,907.26
Total shareholders' equity	23,728,253,820.61	22,575,036,213.74
Total liabilities and shareholders' equity	84,301,017,409.62	82,869,661,681.08

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

2. Balance sheet of the Company

Unit: RMB

Item	31 December 2022	31 December 2021
CURRENT ASSETS:		
Monetary funds	5,661,807,164.72	6,827,656,382.37
Bills receivable	3,482,822,426.80	3,625,270,000.00
Accounts receivable	134,755,527.73	141,601,245.51
Accounts receivable financing		7,923,732.09
Prepayments	375,206,833.58	239,461,509.15
Other receivables	9,337,019,470.13	8,900,179,262.54
Including: Interest receivable		
Dividend receivable		126,325,018.50
Inventories	692,338,698.67	639,423,803.30
Non-current assets due within one year	13,434,710.01	
Other current assets	86,159,558.49	44,894,366.29
Total current assets	19,783,544,390.13	20,426,410,301.25

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Item	31 December 2022	31 December 2021
NON-CURRENT ASSETS:		
Long-term receivables	15,914,404.25	13,612,038.99
Long-term equity investments	18,826,163,036.33	18,806,029,815.18
Other non-current financial assets	123,750,761.62	119,927,003.25
Fixed assets	3,654,340,361.49	3,753,927,591.49
Construction in progress	24,865,009.58	94,436,880.66
Intangible assets	490,533,559.72	520,068,337.11
Deferred income tax assets	518,171,288.92	393,918,032.54
Other non-current assets	986,260.70	7,000,000.00
Total non-current assets	23,654,724,682.61	23,708,919,699.22
Total assets	43,438,269,072.74	44,135,330,000.47

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Item	31 December 2022	31 December 2021
CURRENT LIABILITIES:		
Short-term borrowings	12,885,183,530.81	13,761,223,259.09
Bills payable	9,455,780,407.30	9,725,713,524.15
Accounts payable	1,288,578,359.05	1,129,675,956.85
Contract liabilities	1,503,256,921.15	888,114,906.08
Staff remuneration payables	65,349,838.50	57,487,223.39
Tax payables	11,729,028.39	115,257,929.68
Other payables	1,856,098,294.14	970,585,670.47
Including: Interest payable	15,895,930.51	55,437,777.80
Dividend payable		
Non-current assets due within one year	1,171,869,377.78	2,111,092,964.34
Total current assets	28,237,845,757.12	28,759,151,434.05

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Item	31 December 2022	31 December 2021
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,698,253,561.10	1,779,135,700.00
Bonds payable		155,000,000.00
Long-term payables	150,911,348.00	52,376,768.35
Provisions		325,259,082.28
Deferred income	33,251,328.04	35,232,490.83
Total non-current assets	1,882,416,237.14	2,347,004,041.46
Total liabilities	30,120,261,994.26	31,106,155,475.51

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Item	31 December 2022	31 December 2021
OWNERS' EQUITY		
Share capital	2,979,742,200.00	2,984,208,200.00
Other equity instruments	996,000,000.00	996,000,000.00
Including: Preference shares		
Perpetual Bonds	996,000,000.00	996,000,000.00
Capital reserves	5,147,225,041.11	5,154,365,336.31
Less: Treasury shares	128,780,100.00	226,860,000.00
Special reserves	2,066,138.15	
Surplus reserves	1,199,819,528.06	1,199,819,528.06
Retained profit	3,121,934,271.16	2,921,641,460.59
Total shareholders' equity	13,318,007,078.48	13,029,174,524.96
Total liabilities and shareholders' equity	43,438,269,072.74	44,135,330,000.47

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3. Consolidated Income Statement

Unit: RMB

Item	2022	2021
I. Total revenue	32,004,367,320.91	33,019,812,294.14
Including: Revenue	32,004,367,320.91	33,019,812,294.14
II. Total operating costs	32,046,430,688.65	30,583,840,093.56
Including: Operating costs	27,373,725,707.00	25,222,275,795.28
Taxes and surcharges	243,139,315.06	284,456,212.31
Sales and distribution expenses	242,181,274.09	293,509,692.51
General and administrative expenses	750,546,703.34	942,360,735.54
Research and development expense	1,290,281,540.10	1,453,766,371.46
Finance expenses	2,146,556,149.06	2,387,471,286.46
Including: Interest expenses	2,081,067,895.66	2,348,200,417.05
Interest income	309,987,478.19	287,289,410.33
Plus: Other income	242,223,168.86	220,600,635.49
Investment income (“-” denotes loss)	-76,042,787.35	-69,578,338.92
Including: Investment income from associates and joint ventures	24,116,757.95	31,476,499.83
Gains on derecognition of financial assets measured at amortised cost (“-” denotes loss)	-137,464,855.58	-258,113,630.19
Gain on change in fair value (“-” denotes loss)	-25,253,928.81	-77,073,812.67
Credit impairment loss (“-” denotes loss)	-86,076,968.56	-268,735,361.31
Loss on impairment of assets (“-” denotes loss)	-17,659,966.20	-11,285,890.45
Gain on disposal of assets (“-” denotes loss)	161,092,513.76	51,559,551.66

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Item	2022	2021
III. Operating profit (“-” denotes loss)	156,218,663.96	2,281,458,984.38
Plus: Non-operating income	77,248,685.76	71,694,386.81
Less: Non-operating expenses	51,198,001.72	46,973,061.20
IV. Total profit (“-” denotes total loss)	182,269,348.00	2,306,180,309.99
Less: Income tax expenses	-135,093,343.41	216,496,288.54
V. Net profit (“-” denotes net loss)	317,362,691.41	2,089,684,021.45
(I) Classification according to the continuity of operation:		
Including: Net profit from continuing operations (“-” denotes net loss)	317,362,691.41	2,089,684,021.45
Net profit from discontinued operations (“-” denotes net loss)		
(II) Classification according to ownership:		
1. Net profit attributable to shareholders of the Company	189,290,120.82	2,065,513,108.71
2. Profit or loss of minority interest	128,072,570.59	24,170,912.74
VI. Net other comprehensive income after tax	-376,357,965.21	116,103,878.30
Net other comprehensive income after tax attributable to shareholders of the Company	-376,357,965.21	116,103,878.30
(1) Other comprehensive income that cannot be reclassified to profit and loss		
(2) Other comprehensive income that will be reclassified to profit and loss	-376,357,965.21	116,103,878.30
1. Exchange differences arising from translation of financial statements denominated in foreign currencies	-376,954,395.08	114,257,267.36
2. Other comprehensive income that may be reclassified to profit and loss under the equity method	596,429.87	1,846,610.94
Other comprehensive income, net of tax attributable to minority interest		
VII. Total comprehensive income	-58,995,273.80	2,205,787,899.75
Total comprehensive income attributable to shareholders of the Company	-187,067,844.39	2,181,616,987.01
Total comprehensive income attributable to minority interest	128,072,570.59	24,170,912.74
VIII. Earnings per share:		
(I) Basic earnings per share	0.03	0.56
(II) Diluted earnings per share	0.03	0.56

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

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4. Income statement of the Company

Unit: RMB

Item	2022	2021
I. Revenue	7,520,064,602.48	8,761,491,410.08
Less: Operating costs	7,046,088,687.44	7,357,969,445.55
Taxes and surcharges	33,903,732.08	73,724,285.85
Sales and distribution expenses	8,097,899.53	9,558,862.03
General and administrative expenses	143,936,740.47	225,572,928.07
Research and development expense	269,160,568.77	357,549,848.69
Finance expenses	775,464,172.57	596,154,250.94
Including: Interest expenses	942,221,009.81	1,026,360,435.96
Interest income	426,232,368.25	538,879,542.11
Plus: Other income	40,656,440.23	7,369,035.15
Investment income (“-” denotes loss)	673,446,949.24	2,932,306,416.92
Including: Investment income from associates and joint ventures	-314,623.14	-3,156,467.36
Gains on derecognition of financial assets measured at amortised cost (“-” denotes loss)	-63,403,215.00	-12,601,533.35
Gain on change in fair value (“-” denotes loss)		1,600,000.00
Credit impairment loss (“-” denotes loss)	5,350,000.00	60,361,147.28
Loss on impairment of assets (“-” denotes loss)	10,519,416.80	-1,108,450.71
Gain on disposal of assets (“-” denotes loss)	-12,924,176.52	5,690,737.73
II. Operating profit (“-” denotes loss))	151,386,962.31	3,147,180,675.32
Plus: Non-operating income	111,848,393.68	50,666,803.06
Less: Non-operating expenses	73,996,545.76	4,482,683.25
III. Total profit (“-” denotes total loss)	20,105,385.25	3,193,364,795.13
Less: Income tax expenses	165,739,554.19	24,799,796.59
IV. Net profit (“-” denotes net loss)	-124,253,256.38	3,168,564,998.54
(I) Net profit from continuing operations (“-” denotes net loss)	289,992,810.57	3,168,564,998.54
(II) Net profit from discontinued operations (“-” denotes net loss)	289,992,810.57	
V. Total comprehensive income	289,992,810.57	3,168,564,998.54

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5. Consolidated cash flow statement

Unit: RMB

Item	2022	2021
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	34,004,940,977.95	37,026,791,230.42
Tax rebates received	774,636,352.39	59,547,522.63
Cash received relating to other operating activities	1,438,951,565.79	2,219,955,470.38
Subtotal of cash inflows from operating activities	36,218,528,896.13	39,306,294,223.43
Cash paid for goods and services	27,914,460,565.12	25,422,330,671.57
Cash paid to and for employees	1,378,611,065.39	1,467,112,946.72
Payments of taxes and surcharges	1,181,977,144.95	1,426,328,693.53
Cash paid relating to other operating activities	2,293,655,878.30	2,408,633,718.97
Subtotal of cash outflows from operating activities	32,768,704,653.76	30,724,406,030.79
Net cash flows from operating activities	3,449,824,242.37	8,581,888,192.64

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Item	2022	2021
II. Cash flows from investing activities:		
Cash received from investments	1,526,241.63	222,670,944.63
Cash received from investment income	37,543,374.81	81,429,872.21
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	232,394,062.31	217,787,583.26
Net cash received from disposal of subsidiaries and other business units	-	306,239,547.48
Cash received relating to other investing activities	-	493,700,048.10
Subtotal of cash inflows from investing activities	271,463,678.75	1,321,827,995.68
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	885,436,648.94	632,606,779.05
Cash paid on investments	1,463,000,000.00	396,000,000.00
Net cash paid for acquisition of subsidiaries and other business units	367,997,918.78	-
Cash paid relating to other investing activities	-	127,500,000.00
Subtotal of cash outflows from investing activities	2,716,434,567.72	1,156,106,779.05
Net cash flows from investing activities	-2,444,970,888.97	165,721,216.63
III. Cash flows from financing activities:		
Cash received from investments	1,400,000,000.00	2,350,000,000.00
Including: Cash received from subsidiaries from minority investment	1,400,000,000.00	2,350,000,000.00
Cash received from borrowings	32,477,133,959.53	26,078,252,949.16
Cash received relating to other financing activities	3,719,090,394.82	4,808,748,496.67
Subtotal of cash inflows from financing activities	37,596,224,354.35	33,237,001,445.83
Cash repayments of amounts borrowed	31,525,777,100.64	29,423,534,354.33
Cash paid for dividend and profit distribution or interest payment	2,362,284,448.94	3,327,088,059.92
Including: Dividend and profit paid by subsidiaries to minority shareholders	200,352,435.08	126,809,125.87
Cash paid relating to other financing activities	5,689,222,885.22	10,426,875,069.68
Subtotal of cash outflows from financing activities	39,577,284,434.80	43,177,497,483.93
Net cash flows from financing activities	-1,981,060,080.45	-9,940,496,038.10
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-33,248,970.46	-27,367,487.94
V. Net increase in cash and cash equivalents	-1,009,455,697.51	-1,220,254,116.77
Plus: Balance of cash and cash equivalents as at the beginning of the period	3,168,915,847.02	4,389,169,963.79
VI. Balance of cash and cash equivalents as at the end of the period	2,159,460,149.51	3,168,915,847.02

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6. Cash flow statement of the Company

Unit: RMB

Item	2022	2021
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	9,262,082,947.68	9,921,458,290.29
Tax rebates received	9,335,732.78	–
Cash received relating to other operating activities	546,476,129.29	318,480,435.45
Subtotal of cash inflows from operating activities	9,817,894,809.75	10,239,938,725.74
Cash paid for goods and services	7,950,820,408.32	7,949,092,113.55
Cash paid to and for employees	298,994,477.43	324,850,174.01
Payments of taxes and surcharges	200,234,241.01	296,341,765.94
Cash paid relating to other operating activities	876,312,163.51	835,108,368.36
Subtotal of cash outflows from operating activities	9,326,361,290.27	9,405,392,421.86
Net cash flows from operating activities	491,533,519.48	834,546,303.88
II. Cash flows from investing activities:		
Cash received from investments	1,526,241.63	3,488,670,944.63
Cash received from investment income	918,541,961.59	3,346,501,947.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	175,178,998.35	3,871,823.30
Net cash received from disposal of subsidiaries and other business units	–	–
Cash received relating to other investing activities	–	493,655,373.48
Subtotal of cash inflows from investing activities	1,095,247,201.57	7,332,700,088.51
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	30,885,811.90	19,676,071.84
Cash paid on investments	–	882,210,000.00
Net cash paid for acquisition of subsidiaries and other business units	–	–
Cash paid relating to other investing activities	–	–
Subtotal of cash outflows used in investing activities	30,885,811.90	901,886,071.84
Net cash flows from investing activities	1,064,361,389.67	6,430,814,016.67
III. Cash flows from financing activities:		
Cash received from investments	–	–
Cash received from borrowings	19,328,476,282.36	22,083,489,278.32
Cash received relating to other financing activities	771,135,279.77	110,000,000.00
Subtotal of cash inflows from financing activities	20,099,611,562.13	22,193,489,278.32

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Item	2022	2021
Cash repayments of amounts borrowed	20,169,398,149.54	18,497,803,668.52
Cash paid for dividend and profit distribution or interest payment	612,303,611.03	996,025,461.24
Cash paid relating to other financing activities	1,533,109,819.21	9,373,355,123.84
Subtotal of cash outflows from financing activities	22,314,811,579.78	28,867,184,253.60
Net cash flows from financing activities	-2,215,200,017.65	-6,673,694,975.28
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-177,257.07	504,245.77
V. Net increase in cash and cash equivalents	-659,482,365.57	592,169,591.04
Plus: Balance of cash and cash equivalents as at the beginning of the period	893,454,314.56	301,284,723.52
VI. Balance of cash and cash equivalents as at the end of the period	233,971,948.99	893,454,314.56

7. Consolidated statement of changes in owners' equity Amount for the reporting period

Unit: RMB

Item	2022													
	Share capital	Preference shares	Other equity instruments	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others	Subtotal	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	2,884,208,200.00		996,000,000.00	5,227,258,100.41	226,860,000.00	-445,582,729.36	1,212,089,108.97	1,212,089,108.97	76,825,916.60	9,294,126,706.86	19,117,995,306.46	3,457,050,907.26	22,575,036,213.74	
Others														
II. Balance as at the beginning of the year	2,884,208,200.00		996,000,000.00	5,227,258,100.41	226,860,000.00	-445,582,729.36	1,212,089,108.97	1,212,089,108.97	76,825,916.60	9,294,126,706.86	19,117,995,306.46	3,457,050,907.26	22,575,036,213.74	
III. Changes in the period														
(*) denotes decrease														
(i) Total comprehensive income	-4,466,000.00			133,942,421.88	-98,079,900.00	-376,357,965.21	15,791,710.95		3,074,350.11	96,515,770.71	-33,419,811.56	1,166,637,418.43	1,153,217,606.87	
(ii) Capital paid in and reduced by owners	-4,466,000.00			133,942,421.88	-98,079,900.00	-376,357,965.21				189,280,120.82	-187,067,844.39	128,072,570.59	-58,995,273.80	
1. Ordinary shares paid by owners											227,556,321.88	1,253,917,292.92	1,481,473,604.80	
2. Capital paid by holders of other equity instruments														
3. Amount of share-based payments recognised in owners' equity														
4. Others				1,121,804.80	-98,079,900.00									
(iii) Profit distribution				141,082,717.08					3,074,350.11	-92,774,350.11	-89,700,000.00	-200,352,435.08	-290,052,435.08	
1. Transfer to surplus reserves														
2. Transfer to general risk provisions									3,074,350.11	-3,074,350.11				
3. Distribution to owners (or shareholders)										-89,700,000.00	-89,700,000.00	-200,352,435.08	-290,052,435.08	
(iv) Special reserves							15,791,710.95							
1. Withdrew in the period							29,147,795.17							
2. Used in the period							-13,356,084.22							
(denotes in "-")														
IV. Balance as at the end of the period	2,979,742,200.00		996,000,000.00	5,361,200,522.29	126,780,100.00	-821,940,694.57	15,791,710.95	1,212,089,108.97	79,900,266.71	9,380,642,477.57	19,084,565,494.92	4,643,688,325.69	23,728,253,820.61	

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Amount for the prior period

Unit: RMB

Item	2021 Equity attributable to owners of the Company										Total owners' equity			
	Share capital	Preference shares	Other equity instruments	Capital reserves	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions		Retained profit	Others	Subtotal
I. Balance as at the end of the prior year	2,984,208,200.00	4,477,500,000.00	996,000,000.00	5,321,911,413.75	226,860,000.00	-561,686,607.66	1,212,009,103.97	74,122,644.20	9,899,764,026.74	-1,803,277,670.52	24,276,968,789.00	1,523,294,926.24	25,800,263,715.24	
Plus: Others														-1,803,277,670.52
II. Balance as at the beginning of the year	2,984,208,200.00	4,477,500,000.00	996,000,000.00	5,321,911,413.75	226,860,000.00	-561,686,607.66	1,212,009,103.97	74,122,644.20	8,196,466,358.22	22,473,691,116.48	1,523,294,926.24	23,996,986,044.72		
III. Changes in the period ("-" denotes decrease)														
(I) Total comprehensive income				-94,653,313.34		116,103,878.30		2,703,274.40	1,097,640,346.64	-3,355,705,812.00	1,933,755,981.02	-1,421,949,830.98		
(II) Capital paid in and reduced by owners														
1. Ordinary shares paid by owners		-4,477,500,000.00		-94,653,313.34		116,103,878.30			2,065,513,108.71	2,181,616,987.01	24,170,912.74	2,205,787,989.75		
2. Capital paid by holders of other equity instruments										-4,572,153,313.34	2,312,271,861.82	-2,259,881,451.52		
3. Amount of share-based payments recognised in owners' equity				-22,500,000.00						-4,500,000,000.00		-4,500,000,000.00		
4. Others				52,556,871.89							52,556,871.89		52,556,871.89	
(III) Profit distribution				-124,710,185.23				2,703,274.40	-967,872,760.07	-965,169,485.67	-124,710,185.23	-126,803,125.87	-1,091,978,611.54	
1. Transfer to general risk provisions								2,703,274.40	-2,703,274.40					
2. Distribution to owners (or shareholders)									-965,169,485.67	-965,169,485.67		-126,803,125.87	-1,091,978,611.54	
(IV) Transfer within owners' equity														
1. Others														-275,877,667.67
IV. Balance as at the end of the period	2,984,208,200.00		996,000,000.00	5,227,258,100.41	226,860,000.00	-445,582,729.36	1,212,009,103.97	76,825,916.60	9,294,126,706.86	19,117,985,306.48	3,457,050,907.26	22,575,036,213.74		

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

Amount for the reporting period

Item	2022										Total owners' equity
	Share capital	Preference shares	Other equity instruments Perpetual Bonds Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Others	
I. Balance as at the end of the prior year	2,984,208,200.00	996,000,000.00	5,154,365,336.31	226,860,000.00	2,921,641,460.59	1,199,819,528.06	13,029,174,524.96				
II. Balance as at the beginning of the year	2,984,208,200.00	996,000,000.00	5,154,365,336.31	226,860,000.00	2,921,641,460.59	1,199,819,528.06	13,029,174,524.96				
III. Changes in the period ("-" denotes decrease)	-4,466,000.00		-7,140,295.20	-98,079,900.00	2,066,138.15	200,292,810.57	288,832,553.52				
(I) Total comprehensive income						289,992,810.57	289,992,810.57				
(II) Capital paid in and reduced by owners	-4,466,000.00		-7,140,295.20	-98,079,900.00			86,473,604.80				
1. Ordinary shares paid by owners	-4,466,000.00		-8,262,100.00				-12,728,100.00				
2. Capital paid by holders of other equity instruments											
3. Amount of share-based payments recognised in owners' equity			1,121,804.80	-88,079,900.00			99,201,704.80				
(III) Profit distribution							-89,700,000.00				
1. Transfer to surplus reserves											
2. Distribution to owners (or shareholders)							-89,700,000.00				
(V) Special reserves							2,066,138.15				
1. Withdraw in the period							2,677,407.09				
2. Used in the period (denotes in "-")							-611,268.94				
IV. Balance as at the end of the period	2,979,742,200.00	996,000,000.00	5,147,225,041.11	128,780,100.00	3,121,334,271.16	1,199,819,528.06	13,318,007,076.48				

Unit: RMB

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Amount for the prior period

Unit: RMB

Item	2021										Total owners' equity
	Share capital	Preference shares	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Others	
I. Balance as at the end of the prior year	2,984,208,200.00	4,477,500,000.00	986,000,000.00	5,124,308,464.42	226,860,000.00		1,199,819,528.06	718,245,947.72			15,273,222,140.20
II. Balance as at the beginning of the year	2,984,208,200.00	4,477,500,000.00	986,000,000.00	5,124,308,464.42	226,860,000.00		1,199,819,528.06	718,245,947.72			15,273,222,140.20
III. Changes in the period ("-" denotes decrease)											
(I) Total comprehensive income		-4,477,500,000.00		30,056,871.89				2,203,395,512.87			-2,244,047,615.24
(II) Capital paid in and reduced by owners		-4,477,500,000.00		30,056,871.89				3,168,564,998.54			3,168,564,998.54
1. Ordinary shares paid by owners											-4,447,443,128.11
2. Capital paid by holders of other equity instruments		-4,477,500,000.00		-22,500,000.00							-4,500,000,000.00
3. Amount of share-based payments recognised in owners' equity				52,556,871.89							52,556,871.89
(III) Profit distribution									-965,169,485.67		-965,169,485.67
1. Transfer to surplus reserves									-965,169,485.67		-965,169,485.67
2. Distribution to owners (or shareholders)											
IV. Balance as at the end of the period	2,984,208,200.00		986,000,000.00	5,154,365,336.31	226,860,000.00		1,199,819,528.06	2,921,641,460.59			13,029,174,524.96

III. General Information of the Company

1. Company overview

The predecessor of Shandong Chenming Paper Holdings Limited (hereinafter referred to as the “Company”) was Shandong Shouguang Paper Mill Corporation, which was changed as a joint stock company with limited liability through offering to specific investors in May 1993. In December 1996, with approval by Lu Gai Zi [1996] No. 270 issued by the People’s Government of Shandong Province and Zheng Wei [1996] No. 59 of the Securities Committee of the State Council, the Company was changed as a joint stock company with limited liability established by share offer.

In May 1997, with approval by Zheng Wei Fa [1997] No. 26 issued by the Securities Committee of the State Council, the Company issued 115,000,000 domestic listed foreign shares (B shares) under public offering, which were listed and traded on Shenzhen Stock Exchange from 26 May 1997.

In September 2000, with approval by Zheng Jian Gong Si Zi [2000] No. 151 issued by the China Securities Regulatory Commission, the Company issued an additional 70,000,000 RMB ordinary shares (A shares), which were listed and traded on Shenzhen Stock Exchange from 20 November 2000.

In June 2008, with approval by the Stock Exchange of Hong Kong Limited, the Company issued 355,700,000 H shares. At the same time, 35,570,000 H shares were allocated to the National Council for Social Security Fund by our relevant state-owned shareholder and converted into overseas listed foreign shares (H shares) for the purpose of reducing the number of state-owned shares. The additionally issued H shares were listed and traded on Hong Kong Stock Exchange on 18 June 2008.

As at 31 December 2022, the total share capital of the Company was 2,979,742,200 shares. For details, please refer to Note VII. 38.

The Company established a corporate governance structure comprising the general meeting, the board of directors and the supervisory committee, and has human resources department, information technology department, corporate management department, legal affairs department, financial management department, capital management department, securities investment department, procurement department, audit department, and other departments.

The Company and its subsidiaries (the “Company”) are principally engaged in, among other things, processing and sale of paper products (including machine-made paper and paper board), paper making raw materials and machinery; generation and sale of electric power and thermal power; forestry, saplings growing, processing and sale of timber; manufacturing, processing and sale of wood products; and hotel service, and equipment financial and operating leasing, investment properties and property service etc.

The financial statements and notes thereto were approved at the fourth meeting of the tenth session of the board of directors of the Company (the “Board”) on 30 March 2023.

2. Scope of consolidation

Subsidiaries of the Company included in the scope of consolidation in 2022 totalled 78. For details, please refer to Note IX “Interest in other entities”. The scope of consolidation of the Company during the year had four more companies included and one company less compared to the prior year. For details, please refer to Note VIII “Change in scope of consolidation”.

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IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

These financial statements are prepared in accordance with the accounting standards for business enterprises, the application guidelines thereof, interpretations and other related rules (collectively referred to as “ASBEs”) promulgated by the Ministry of Finance. In addition, the Company also discloses relevant financial information in accordance with the “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports” (revised in 2014) of the CSRC.

The financial statements are presented on a going concern.

The Company’s financial statements have been prepared on an accrual basis. Except for certain financial instruments, the financial statements are prepared under the historical cost convention. In the event that impairment of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

2. Going concern

No facts or circumstances comprise a material uncertainty about the Company’s going concern basis within 12 months since the end of the reporting period.

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in machine-made paper, electricity and heat, construction materials, paper making chemical products, processing of moulds, hotel management and other operations. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition, determination of performance progress and R&D expenses based on their actual production and operation characteristics pursuant to the requirements under the relevant ASBEs. For details, please refer to this Note V. 29 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 38 “Changes in significant accounting policies and accounting estimates”.

1. Statement of compliance with the Accounting Standards for Business Enterprises

These financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Company as at 31 December 2022 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for 2022.

2. Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

3. Operating cycle

The operating cycle of the Company lasts for 12 months.

4. Functional currency

The functional currency of the Company and its domestic subsidiaries is Renminbi (“RMB”). Overseas subsidiaries of the Company recognise U.S. dollar (“USD” or “US\$”), Japanese yen (“JPY”), Euro (“EUR”) and South Korean Won (“KRW”) as their respective functional currency according to the general economic environment in which these subsidiaries operate. The Company prepares the financial statements in RMB.

5. Accounting treatment of business combinations under common control and not under common control

(1) Business combination under common control

For the business combination involving entities under common control, the assets and liabilities of the party being merged that are obtained in the business combination by the absorbing party shall be measured at the carrying amounts as recorded by the ultimate controlling party in the consolidated financial statements at the combination date. The difference between the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) and the carrying amount of the net assets obtained in the combination is charged to the capital reserve (share capital premium/capital premium). If the capital reserve (share capital premium/capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations involving entities under common control and achieved in stages

In the separate financial statements, the initial investment cost is calculated based on the shareholding portion of the assets and liabilities obtained and are measured at the carrying amounts as recorded by the party being merged at the combination date. The difference between the initial investment cost and the sum of the carrying amount of the original investment cost prior to the combination and the carrying amount of consideration paid for the combination is adjusted to the capital reserve (share capital premium/capital premium), if the capital reserve is not sufficient to absorb the difference, the excess difference shall be adjusted to retained earnings.

In the consolidated financial statements, the assets and liabilities of the party being merged that are obtained at the combination by the absorbing party shall be measured at the carrying value as recorded by the ultimate controlling party in the consolidated financial statements at combination date. The difference between the sum of the carrying value from original shareholding portion and the new investment cost incurred at combination date and the carrying value of net assets obtained at combination date shall be adjusted to capital reserve (share capital premium/capital premium), if the balance of capital reserve is not sufficient to absorb the differences, any excess is adjusted to retained earnings. The long-term investment prior to the absorbing party obtaining the control of the party being merged, the recognised profit or loss, comprehensive income and other change of owners’ equity at the closer date of the acquisition date and combination date under common control shall separately offset the opening balance of retained earnings and profit or loss during comparative statements.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

5. Accounting treatment of business combinations under common control and not under common control *(Continued)*

(2) Business combination not under common control

For business combinations involving entities not under common control, the cost for each combination is measured at the aggregate fair value at acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At acquisition date, the acquired assets, liabilities or contingent liabilities of acquiree are measured at their fair value.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill, and subsequently measured on the basis of its cost minus accumulative impairment provision; Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period after reassessment.

Business combinations involving entities not under common control and achieved in stages

In the separate financial statements, the initial investment cost of the investment is the sum of the carrying amount of the equity investment held by the entity prior to the acquisition date and the additional investment cost at the acquisition date. The disposal accounting policy of other comprehensive income related with equity investment prior to the acquisition date recognised under equity method shall be compliance with the method when the acquiree disposes the related assets or liabilities. Owners' equity due to the changes of other owners' equity other than the changes of net profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed of. If the equity investment held by the entity prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognised in other comprehensive income shall be transferred to retained earnings for current period when accounted for using cost method.

In the consolidation financial statements, the combination cost is the sum of consideration paid at acquisition date and fair value of the acquiree's equity investment held prior to acquisition date. The cost of equity of the acquiree held prior to acquisition date shall be remeasured at the fair value at acquisition date, and the difference between the fair value and carrying amount shall be recognised as investment income or loss for the current period. Other comprehensive income and changes of other owners' equity related with acquiree's equity held prior to acquisition date shall be transferred to investment profit or loss for current period at acquisition date, except for the other comprehensive income incurred by the changes of net assets or net liabilities due to the remeasurement of defined benefit plans.

(3) Transaction fees attribution during business combination

The audit, legal, valuation advisory and other intermediary fees and other relevant administrative expenses arising from business combinations are recognised in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

6. Preparation of consolidated financial statements

(1) Scope of consolidation

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The term “control” refers to the fact that the Company has power over the investee and is entitled to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. A subsidiary is an entity controlled by the Company (including an enterprise, a separable part of an investee, a structured entity, etc.).

(2) Basis for preparation of the consolidated financial statements

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. In preparing the consolidated financial statements, the accounting policies and accounting periods of the Company and its subsidiaries shall be consistent, and intra-company significant transactions and balances are eliminated.

A subsidiary and its business acquired through a business combination involving entities under common control during the reporting period shall be included in the scope of the consolidation of the Company from the date of being controlled by the ultimate controlling party, and its operating results and cash flows from the date of being controlled by the ultimate controlling party are included in the consolidated income statement and the consolidated cash flow statement, respectively.

For a subsidiary and its business acquired through a business combination involving entities not under common control during the reporting period, its income, expenses and profits are included in the consolidated income statement, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting period.

The shareholders’ equity of the subsidiaries that is not attributable to the Company is presented under shareholders’ equity in the consolidated balance sheet as minority interest. The portion of net profit or loss of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement under the “profit or loss of minority interest”. When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders’ portion of the opening balance of owners’ equity of the subsidiary, the excess amount shall be allocated against minority interest.

(3) Acquisition of non-controlling interests in subsidiaries

The difference between the long-term equity investments costs acquired by the acquisition of non-controlling interests and the share of the net assets from subsidiaries from the date of acquisition or the date of combination based on the new shareholding ratio, as well as the difference between the proceeds from the partial disposal of the equity investment without losing control over its subsidiary and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of acquisition or the date of combination, is adjusted to the capital reserve. If the capital reserve is not sufficient, any excess is adjusted to retained earnings.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

6. Preparation of consolidated financial statements *(Continued)*

(4) Accounting treatment for loss of control over subsidiaries

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the sum of the share of the carrying amount of net assets of the former subsidiary calculated continuously from the purchase date based on the shareholding percentage before disposal and the goodwill is recognised as investment income in the period when the control is lost.

Other comprehensive income related to equity investment in the former subsidiary shall be transferred to current profit or loss at the time when the control is lost, except for other comprehensive income arising from changes in net assets or net liabilities due to remeasurement of defined benefit plan by the investee.

7. Classification of joint arrangements and accounting treatment for joint operations

A joint arrangement refers to an arrangement of two or more parties have joint control. The joint arrangements of the Company comprise joint operations and joint ventures.

(1) Joint operations

Joint operations refer to a joint arrangement during which the Company is entitled to relevant assets and obligations of this arrangement.

The Company recognises the following items in relation to its interest in a joint operation and accounts for them in accordance with the relevant ASBEs:

- A. the assets held solely by it and assets held jointly according to its share;
- B. the liabilities assumed solely by it and liabilities assumed jointly according to its share;
- C. the revenue from sale of output from joint operations;
- D. the revenue from sale of output from joint operations according to its share;
- E. the fees solely incurred by it and fees incurred from joint operations according to its share.

(2) Joint ventures

Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement.

The Company accounts for its investments in joint ventures in accordance with the requirements relating to accounting treatment using equity method for long-term equity investments.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

8. Standards for recognising cash and cash equivalents

Cash refers to cash on hand and deposits readily available for payment purpose. Cash equivalents refer to short-term and highly liquid investments held by the Company which are readily convertible into known amount of cash and which are subject to insignificant risk of value change.

9. Foreign currency operations and translation of statements denominated in foreign currency

(1) Foreign currency operations

The foreign currency operations of the Company are translated into the functional currency at the prevailing spot exchange rate on the date of exchange.

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate upon initial recognition or the last balance sheet date will be recognised in profit or loss for the period. The foreign currency non-monetary items measured at historical cost shall still be measured by the functional currency translated at the spot exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of the fair value. The difference between the amounts of the functional currency before and after the translation will be recognised in profit or loss or other comprehensive income for the period based on the nature of the non-monetary items.

(2) Translation of financial statements denominated in foreign currency

When translating the financial statements denominated in foreign currency of overseas subsidiaries, assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owner's equity items except for "retained profit" are translated at the spot exchange rates at the dates on which such items arose.

Income and expenses items in the income statement are translated at the prevailing spot exchange rate on the transaction date.

All items in the cash flow statements shall be translated at the prevailing spot exchange rate on the date that the cash flow transaction occurred. Effects arising from changes of exchange rate on cash shall be presented separately as the "effect of foreign exchange rate changes on cash and cash equivalents" item in the cash flow statements.

The differences arising from translation of financial statements shall be included in the "other comprehensive income" item in owners' equity in the balance sheet.

On disposal of foreign operations and loss of control, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operations which has been included in shareholders' equity in the balance sheet, shall be transferred to profit or loss in whole or in proportionate share in the period in which the disposal took place.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

Financial asset or financial liability will be recognised when the Company became one of the parties under a financial instrument contract.

Financial asset that satisfied any of the following criteria shall be derecognised:

- ① the contract right to receive the cash flows of the financial asset has terminated;
- ② the financial asset has been transferred and meets the derecognition criteria for the transfer of financial asset as described below.

A financial liability (or a part thereof) is derecognised only when the present obligation is discharged in full or in part. If an agreement is entered between the Company (debtor) and a creditor to replace the existing financial liabilities with new financial liabilities, and the contractual terms of the new financial liabilities are substantially different from those of the existing financial liabilities, the existing financial liabilities shall be derecognised and the new financial liabilities shall be recognised.

Conventionally traded financial assets shall be recognised and derecognised at the trading date.

(2) Classification and measurement of financial assets

The Company classifies the financial assets according to the business model for managing the financial assets and characteristics of the contractual cash flows as follows: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

The Company's business model for managing such financial assets is to collect contractual cash flows;

The contractual terms of the financial asset stipulate that cash flows generated on specific dates are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss for the current period when the financial asset is derecognised, amortised using the effective interest method or with impairment recognised.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(2) Classification and measurement of financial assets *(Continued)*

Financial assets measured at fair value through other comprehensive income

A financial asset is classified as measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

The Company's business model for managing such financial assets is achieved both by collecting collect contractual cash flows and selling such financial assets;

The contractual terms of the financial asset stipulate that cash flows generated on specific dates are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and foreign exchange gains and losses are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Financial assets measured at fair value through profit or loss

The Company classifies the financial assets other than those measured at amortised cost and measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss. Upon initial recognition, the Company irrevocably designates certain financial assets that are required to be measured at amortised cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatch.

Upon initial recognition, such financial assets are measured at fair value. Except for those held for hedging purposes, gains or losses (including interests and dividend income) arising from such financial assets are recognised in the profit or loss for the current period.

The business model for managing financial assets refers to how the Company manages its financial assets in order to generate cash flows. That is, the Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Company determines the business model for managing financial assets on the basis of objective facts and specific business objectives for managing financial assets determined by key management personnel.

The Company assesses the characteristics of the contractual cash flows of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a specific date are solely payments of principal and interest on the principal amount outstanding. The principal refers to the fair value of the financial assets at the initial recognition. Interest includes consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks, costs and profits. In addition, the Company evaluates the contractual terms that may result in a change in the time distribution or amount of contractual cash flows from a financial asset to determine whether it meets the requirements of the above contractual cash flow characteristics.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(2) Classification and measurement of financial assets *(Continued)*

Financial assets measured at fair value through profit or loss *(Continued)*

All affected financial assets are reclassified on the first day of the first reporting period following the change in the business model where the Company changes its business model for managing financial assets; otherwise, financial assets shall not be reclassified after initial recognition.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognised. Accounts receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

(3) Classification and measurement of financial liabilities

At initial recognition, financial liabilities of the Company are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortised cost. For financial liabilities not classified as measured at fair value through profit or loss, relevant transaction costs are included in the amount initially recognised.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss comprise held-for-trading financial liabilities and financial liabilities designated at fair value through profit or loss upon initial recognition. Such financial liabilities are subsequently measured at fair value, and the gains or losses from the change in fair value and the dividend or interest expenses related to the financial liabilities are included in the profit or loss of the current period.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, and the gains or losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(3) Classification and measurement of financial liabilities *(Continued)*

Classification between financial liabilities and equity instruments

A financial liability is a liability if:

- ① it has a contractual obligation to pay in cash or other financial assets to other parties.
- ② it has a contractual obligation to exchange financial assets or financial liabilities under potential adverse condition with other parties.
- ③ it is a non-derivative instrument contract which will or may be settled with the entity's own equity instruments, and the entity will deliver a variable number of its own equity instruments according to such contract.
- ④ it is a derivative instrument contract which will or may be settled with the entity's own equity instruments, except for a derivative instrument contract that exchanges a fixed amount of cash or other financial asset with a fixed number of its own equity instruments.

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Company cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities.

Where a financial instrument must or may be settled with the Company's own equity instruments, the Company's own equity instruments used to settle such instrument should be considered as to whether it is a substitute for cash or other financial assets or for the purpose of enabling the holder of the instrument to be entitled to the remaining interest in the assets of the issuer after deducting all of its liabilities. For the former, it is a financial liability of the Company; for the latter, it is the Company's own equity instruments.

(4) Fair value of financial instruments

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note V. 11.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(5) Impairment of financial assets

The Company makes provision for impairment based on expected credit losses (ECLs) on the following items:

Financial assets measured at amortised cost;

Receivables and debt investments measured at fair value through other comprehensive income;

Contract assets as defined in the Accounting Standards for Business Enterprises No. 14 – Revenue;

Lease receivables;

Financial guarantee contracts (except those measured at fair value through profit or loss or formed by continuing involvement of transferred financial assets or the transfer does not qualify for derecognition).

Measurement of ECLs

ECLs are the weighted average of credit losses of financial instruments weighted by the risk of default. Credit losses refer to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows expected to be received, i.e. the present value of all cash shortages.

The Company takes into account reasonable and well-founded information such as past events, current conditions and forecasts of future economic conditions, and calculates the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to be received weighted by the risk of default.

The Company measures ECLs of financial instruments at different stages. If the credit risk of the financial instrument did not increase significantly upon initial recognition, it is at the first stage, and the Company makes provision for impairment based on the ECLs within the next 12 months; if the credit risk of a financial instrument increased significantly upon initial recognition but has not yet incurred credit impairment, it is at the second stage, and the Company makes provision for impairment based on the lifetime ECLs of the instrument; if the financial instrument incurred credit impairment upon initial recognition, it is at the third stage, and the Company makes provision for impairment based on the lifetime ECLs of the instrument.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that the credit risk did not increase significantly upon initial recognition, and makes provision for impairment based on the ECLs within the next 12 months.

Lifetime ECLs represent the ECLs resulting from all possible default events over the expected life of a financial instrument. The 12-month ECLs are the ECLs resulting from possible default events on a financial instrument within 12 months (or a shorter period if the expected life of the financial instrument is less than 12 months) after the balance sheet date, and is a portion of lifetime ECLs.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(5) Impairment of financial assets *(Continued)*

Measurement of ECLs *(Continued)*

The maximum period to be considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk, including renewal options.

For the financial instruments at the first and second stages and with low credit risks, the Company calculates the interest income based on the book balance and the effective interest rate before deducting the impairment provisions. For financial instruments at the third stage, interest income is calculated based on the amortised cost after deducting impairment provisions made from the book balance and the effective interest rate.

Bills receivable, accounts receivable and contract assets

For bills receivable, accounts receivable and contract assets, regardless of whether there is a significant financing component, the Company always makes provision for impairment at an amount equal to lifetime ECLs.

When the Company is unable to assess the information of ECLs for an individual financial asset at a reasonable cost, it classifies bills receivable and accounts receivable into portfolios based on the credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Bills receivable

Bills receivable portfolio 1: Bank acceptance bills

Bills receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

Accounts receivable portfolio 1: Due from related party customers

Accounts receivable portfolio 2: Due from non-related party customers

Accounts receivable portfolio 3: Factoring receivables

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(5) Impairment of financial assets *(Continued)*

Bills receivable, accounts receivable and contract assets *(Continued)*

For bills receivable classified as a portfolio, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to calculate the ECLs based on default risk exposure and lifetime ECL rate.

For accounts receivable classified as a portfolio, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to prepare a comparison table of the ageing/overdue days of accounts receivable and the lifetime ECL rate to calculate the ECLs.

Other receivables

The Company classifies other receivables into portfolios based on credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

Other receivables portfolio 1: Amount due from government authorities

Other receivables portfolio 2: Amount due from related parties

Other receivables portfolio 3: Other receivables

For other receivables classified as a portfolio, the Company calculates the ECLs based on default risk exposure and the ECL rate over the next 12 months or the entire lifetime.

Long-term receivables

The Company's long-term receivables include finance lease receivables and deposits receivable.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(5) Impairment of financial assets *(Continued)*

Long-term receivables *(Continued)*

The Company classifies the finance lease receivables, deposits receivable and other receivables into portfolios based on the credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Finance lease receivables

Finance lease receivables portfolio 1: Receivables not past due

Finance lease receivables portfolio 2: Overdue receivables

B. Other long-term receivables

Other long-term receivables portfolio 1: Deposits receivable

Other long-term receivables portfolio 2: Other receivables

For deposits receivable and receivables for construction projects, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, and calculates the ECLs based on default risk exposure and lifetime ECL rate.

Except for those of finance lease receivables and deposits receivable, the ECLs of other receivables and long-term receivables classified as a portfolio are measured based on default risk exposure and ECL rate over the next 12 months or the entire lifetime.

Debt investments and other debt investments

For debt investments and other debt investments, the Company measures the ECLs based on the nature of the investment, the types of counterparty and risk exposure, and default risk exposure and ECL rate within the next 12 months or the entire lifetime.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(5) Impairment of financial assets *(Continued)*

Assessment of significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly upon initial recognition, the Company compares the risk of default of the financial instrument at the balance sheet date with that at the date of initial recognition to determine the relative change in risk of default within the expected lifetime of the financial instrument.

In determining whether the credit risk has increased significantly upon initial recognition, the Company considers reasonable and well-founded information, including forward-looking information, which can be obtained without unnecessary extra costs or efforts. Information considered by the Company includes:

The debtor's failure to make payments of principal and interest on their contractually due dates;

An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);

An actual or expected significant deterioration in the operating results of the debtor;

Existing or expected changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the Company assesses whether there has been a significant increase in credit risk on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on their common credit risk characteristics, such as past due information and credit risk ratings.

The Company determines that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At balance sheet date, the Company assesses whether financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

Significant financial difficulty of the issuer or debtor;

A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(5) Impairment of financial assets *(Continued)*

Credit-impaired financial assets *(Continued)*

For economic or contractual reasons relating to the debtor's financial difficulty, the Company having granted to the debtor a concession that would not otherwise consider;

It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Presentation of provisions for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk upon initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss for the current period. For financial assets measured at amortised cost, the provisions of impairment is deducted from the carrying amount of the financial assets presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company makes provisions of impairment in other comprehensive income without reducing the carrying amount of the financial asset.

Write-offs

The book balance of a financial asset is directly written off to the extent that there is no realistic prospect of recovery of the contractual cash flows of the financial asset (either partially or in full). Such write-off constitutes derecognition of such financial asset. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

If a write-off of financial assets is subsequently recovered, the recovery is credited to profit or loss in the period in which the recovery occurs.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Financial instruments *(Continued)*

(6) Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to another party other than the issuer of such financial assets (the transferee).

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the financial asset shall be derecognised. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the financial asset shall not be derecognised.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows: if the Company does not retain control, it derecognises the financial asset and recognises any resulting assets or liabilities; if the control over the financial asset is not waived, the relevant financial asset is recognised according to the extent of its continuing involvement in the transferred financial asset and the relevant liability is recognised accordingly.

(7) Offset of financial assets and financial liabilities

If the Company owns the legitimate rights of offsetting the recognised financial assets and financial liabilities, which are enforceable currently, and the Company plans to realise the financial assets or to clear off the financial liabilities on a net amount basis or simultaneously, the net amount of financial assets and financial liabilities shall be presented in the balance sheet upon offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

11. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures the relevant asset and liability at fair value, based on the presumption that the orderly transaction to sell the asset or transfer the liability takes place either in the principal market for the relevant asset or liability, or in the absence of a principal market, in the most advantageous market for relevant the asset or liability. The principal or the most advantageous market must be a trading market accessible by the Company at the measurement date. The Company adopts the presumption that market participants would use when pricing the asset or liability in their best economic interest.

If there exists an active market for a financial asset or financial liability, the Company uses the quotation on the active market as its fair value. If the market for a financial instrument is inactive, the Company uses valuation technique to recognise its fair value.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Company adopts valuation techniques that are appropriate in the current circumstance and for which sufficient data and other information are available, prioritises the use of relevant observable inputs and uses unobservable inputs only under the circumstances where such relevant observable inputs cannot be obtained or practicably obtained.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

11. Fair value measurement *(Continued)*

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities obtainable at the measurement date. Level 2: observable inputs for the relevant asset or liability, either directly or indirectly, except for Level 1 input. Level 3: unobservable inputs for the relevant assets or liability.

At each balance sheet date, the Company reassesses assets and liabilities measured at fair value that are recognised in the financial statements on a recurring basis to determine whether transfers have occurred between fair value measurement hierarchy levels.

12. Inventories

(1) Classification of inventories

Inventories of the Company mainly include raw materials, work in progress, goods in stock, development products and consumable biological assets, etc.

(2) Pricing of inventories dispatched

Inventories of the Company are measured at their actual cost when obtained. Cost of raw materials, goods in stock and others will be calculated with weighted average method when being dispatched.

Consumable biological assets refer to biological assets held-for-sale which include growing timber. Consumable biological assets without a stock are stated at historical cost at initial recognition, and subsequently measured at fair value when there is a stock. Changes in fair values shall be recognised as profit or loss in the current period. The cost of self-planting, self-cultivating consumable biological assets is the necessary expenses directly attributable to such assets prior to canopy closure, including borrowing costs eligible for capitalisation. Subsequent expenses such as maintenance cost incurred after canopy closure shall be included in profit or loss for the current period.

The cost of consumable biological assets shall, at the time of harvest or disposal, be carried forward at carrying amount using the stock volume proportion method.

(3) Recognition of net realisable value of inventories and provision for inventory impairment

Net realisable value of inventories refers to the amount of the estimated price of inventories less the estimated cost incurred upon completion, estimated sales expenses and taxes and levies. The realisable value of inventories shall be determined on the basis of definite evidence, purpose of holding the inventories and effect of after-balance-sheet-date events.

At the balance sheet date, provision for inventory impairment is made when the cost is higher than the net realisable value. The Company usually make provision for inventory impairment based on categories of inventories. At the balance sheet date, in case the factors causing inventory impairment no longer exists, the original provision for inventory impairment shall be reversed.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

12. Inventories *(Continued)*

(4) Inventory stock taking system

The Company implements permanent inventory system as its inventory stock taking system.

(5) Amortisation of low-value consumables and packaging materials

The low-value consumables of the Company are amortised when issued for use.

Packaging materials for turnover are amortised when issued for use.

13. Long-term equity investments

Long-term equity investments include the equity investments in subsidiaries, joint ventures and associates. Associates of the Company are those investees that the Company imposes significant influence over.

(1) Determination of initial investment cost

Long-term equity investments acquired through business combinations: for a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of the owners' equity under the consolidated financial statements of the ultimate controlling party on the date of combination. For a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost of the long-term equity investment shall be the cost of combination.

Long-term equity investments acquired through other means: for a long-term equity investment acquired by cash payment, the initial investment cost shall be the purchase cost actually paid; for a long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of equity securities issued.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

13. Long-term equity investments *(Continued)*

(2) Subsequent measurement and method for profit or loss recognition

Investments in subsidiaries shall be accounted for using the cost method. Except for the investments which meet the conditions of holding for sale, investments in associates and joint ventures shall be accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, the cash dividends or profits declared by the investees for distribution shall be recognised as investment gains and included in profit or loss for the current period, except the case of receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration.

For a long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the investment cost of the long-term equity investment. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, adjustment shall be made to the carrying amount of the long-term equity investment, and the difference shall be charged to profit or loss for the current period.

Under the equity method, investment gain and other comprehensive income shall be recognised based on the Company's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying amount of long-term equity investment shall be adjusted and included in the capital reserves (other capital reserves). The Group shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto according to the accounting policies and accounting periods of the Company.

For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the initial investment cost under the equity method shall be the aggregate of fair value of previously held equity investment and additional investment cost on the date of transfer. For investments in non-trading equity instruments that were previously classified as at fair value through other comprehensive income, the cumulative fair value changes associated with them that were previously included in other comprehensive income are transferred to retained earnings upon the change to the equity method of accounting.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment, the remaining equity interest after disposal shall be accounted for according to the Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments. The difference between its fair value and carrying amount shall be included in profit or loss for the current period. In respect of other comprehensive income recognised under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners' equity related to the previous equity investment shall be transferred to profit or loss for the current period.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

13. Long-term equity investments *(Continued)*

(2) Subsequent measurement and method for profit or loss recognition *(Continued)*

In the event of loss of control over investee due to partial disposal of equity investment, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For the remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period.

If the shareholding ratio of the Company is reduced due to the capital increase of other investors, and as a result, the Company loses the control of but still can apply common control or impose significant influence over the investee, the net asset increase due to the capital increase of the investee attributable to the Company shall be recognised according to the new shareholding ratio, and the difference with the original carrying amount of the long-term equity investment corresponding to the shareholding ratio reduction part that should be carried forward shall be recorded in the profit or loss for the current period; and then it shall be adjusted according to the new shareholding ratio as if equity method is used for accounting when acquiring the investment.

In respect of the transactions between the Company and its associates and joint ventures, the share of unrealised gain or loss arising from internal transactions shall be eliminated by the portion attributable to the Company. Investment gain or loss shall be recognised accordingly. However, any unrealised loss arising from internal transactions between the Company and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets.

(3) Basis for determining the common control and significant influence on the investee

Common control is the contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. When determining if there is any common control, it should first be identified if the arrangement is controlled by all the participants or the group consisting of the participants, and then determined if the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. If all the participants or a group of participants can only decide the relevant activities of certain arrangement through concerted action, it can be considered that all the participants or a group of participants share common control on the arrangement. If there are two or more participant groups that can collectively control certain arrangement, it does not constitute common control. When determining if there is any common control, the relevant protection rights will not be taken into account.

Significant influence is the power of the investor to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

13. Long-term equity investments *(Continued)*

(3) Basis for determining the common control and significant influence on the investee *(Continued)*

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operation decision-making of the investee and cannot pose significant influence in this situation. When the Company owns less than 20% of the voting shares of the investee, it is generally considered that it has not significantly influenced on the investee, unless there is concrete evidence to prove that it can participate in the production and operation decision-making of the investee and can impose significant influence in this situation.

(4) Impairment test method and impairment provision

For the method for making impairment provision for the investment in subsidiaries, associates and joint ventures, please refer to Note V. 22.

14. Investment property

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. The investment property of the Company includes leased land use rights, land use rights held for sale after appreciation, and leased buildings.

The investment property of the Company is measured initially at cost upon acquisition, and subject to depreciation or amortisation in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

For the method for making impairment provision for the investment property adopted cost method for subsequent measurement, please refer to Note V. 22.

When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

15. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets represent the tangible assets held by the Company using in the production of goods, rendering of services and for operation and administrative purposes with useful life over one year.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Company and the costs can be reliably measured.

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The cost of routine repairs of fixed assets that do not qualify as capitalised subsequent expenditure is charged to current profit or loss or included in the cost of the related assets in accordance with the beneficiary object when incurred. The carrying amount of the replaced part is derecognised.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

15. Fixed assets *(Continued)*

(2) Depreciation method by category of fixed assets

The Company adopts the straight-line method for depreciation. Provision for depreciation will be started when the fixed asset reaches its expected usable state, and stopped when the fixed asset is derecognised or classified as a non-current asset held for sale. Without regard to the depreciation provision, the Company determines the annual depreciation rate by category, estimated useful lives and estimated residual value of the fixed assets as below:

Category	Useful lives of depreciation (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building structure	20-40	5-10	2.25-4.75
Machinery and equipment	8-20	5-10	4.50-11.88
Transportation equipment	5-8	5-10	11.25-19.00
Electronic equipment and others	5	5-10	18.00-19.00

Where, for the fixed assets for which impairment provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset impairment provision that has been made shall be deducted.

(3) The impairment test method and impairment provision method of the fixed assets are set out in Note V. 22.

(4) The Company will review the useful lives, estimated net residual value and depreciation method of the fixed assets at the end of each year.

When there is any difference between the useful lives estimate and the originally estimated value, the useful lives of the fixed asset shall be adjusted. When there is any difference between the estimated net residual value estimate and the originally estimated value, the estimated net residual value shall be adjusted.

(5) Disposal of fixed assets

A fixed asset is derecognised on disposal or when it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognised in profit or loss for the current period.

V. Significant Accounting Policies and Accounting Estimates (Continued)

16. Construction in progress

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

A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

The method for impairment provision of construction in progress is set out in Note V. 22.

17. Materials for project

The materials for project of the Group refer to various materials prepared for construction in progress, including construction materials, equipment not yet installed and tools for production.

The purchased materials for project are measured at cost, and the planning materials for project are transferred to construction in progress. After the completion of the project, the remaining materials for project are transferred to inventory.

The method for impairment provision of materials for project is set out in Note V. 22.

The closing balance of materials for project is presented as “construction in progress” item in the balance sheet.

18. Borrowing costs

(1) Recognition principle for the capitalisation of the borrowing costs

The borrowing costs incurred by the Company directly attributable to the acquisition, construction or production of a qualifying asset will be capitalised and included in the cost of relevant asset. Other borrowing costs will be recognised as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period. When the borrowing costs meet all the following conditions, capitalisation shall be started:

- ① The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest-bearing liabilities for acquiring, constructing or producing the qualifying assets;
- ② The borrowing costs have been incurred;
- ③ The acquisition, construction or production activity necessary for the asset to be ready for its intended use or sale has been started.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

18. Borrowing costs *(Continued)*

(2) Capitalisation period of borrowing costs

When a qualifying asset acquired, constructed or produced by the Company is ready for its intended use or sale, the capitalisation of the borrowing costs shall discontinue. The borrowing costs incurred after a qualifying asset is ready for its intended use or sale shall be recognised as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The capitalisation of the borrowing costs shall be continued in the normal interruption period.

(3) Calculation methods for capitalisation rate and capitalised amount of the borrowing costs

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Company shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalised. Exchange differences related to general-purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

19. Biological assets

Bearer biological assets refer to biological assets held for the purpose of producing agricultural products, providing labour services or renting, including economic forests, firewood forests, productive livestock and draught animals. The Company's bearer biological assets are mainly tea trees. The cost of a planted or propagated bearer biological asset includes the expenses directly attributable to the asset and necessarily incurred before the asset is ready for its intended production and operation, including the borrowing costs that are eligible for capitalisation.

The management, protection and feeding costs of a biological asset subsequent to crown closure or after the asset is ready for its intended production and operation are expensed and recognised in profit or loss as incurred.

Depreciation of bearer biological assets is calculated using the straight-line method over the estimated useful life of each biological asset less its residual value as follows:

Type of bearer biological assets	Useful life (year)	Estimated residual value	Annual depreciation rate
Tea tree	10	5%	9.50%

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

19. Biological assets *(Continued)*

The Company reviews the useful life and estimated net residual value of a bearer biological asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in accounting estimate.

The difference between the disposal income of the sale, loss, death or damage of a bearer biological asset, net of its carrying amount and related taxes, is recognised in profit or loss for the current period.

The method for impairment provision of bearer biological assets is set out in Note V. 22.

20. Right-of-use assets

(1) Conditions for recognition of right-of-use assets.

Right-of-use assets are defined as the right of underlying assets in the lease term for the Company as a lessee.

Right-of-use assets are initially measured at cost at the commencement date of the lease. The cost includes the amount of the initial measurement of lease liability; lease payments made at or before the inception of the lease less any lease incentives enjoyed; initial direct costs incurred by the Company as lessee; costs to be incurred in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease incurred by the Company as lessee. As a lessee, the Company recognises and measures the costs of dismantling and restoration in accordance with the Accounting Standard for Business Enterprises No. 13 – Contingencies. Subsequently, the lease liability is adjusted for any remeasurement of the lease liability.

(2) Depreciation method of right-of-use assets

The Company uses the straight-line method for depreciation. Where the Company, as a lessee, is reasonably certain to obtain ownership of the leased asset at the end of the lease term, such asset is depreciated over the remaining useful life of the leased asset. Where ownership of the lease assets during the lease term cannot be reasonably determined, right-of-use assets are depreciated over the lease term or the remainder of useful lives of the lease assets, whichever is shorter.

(3) For the methods of impairment test and impairment provision of right-of-use assets, please refer to Note V. 22.

21. Intangible assets

The intangible assets of the Company include land use rights, software, patents and certificates of third party right.

The intangible asset is initially measured at cost, and its useful life is determined upon acquisition. If the useful life is finite, the intangible asset will be amortised over the estimated useful life using the amortisation method that can reflect the estimated realisation of the economic benefits related to the asset, starting from the time when it is available for use. If it is unable to reliably determine the estimated realisation, straight-line method shall be adopted for amortisation. The intangible assets with uncertain useful life will not be amortised.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

21. Intangible assets *(Continued)*

The amortisation methods for the intangible assets with finite useful life are as follows:

Type	Useful life	Method of amortisation	Remark
Land use rights	50-70	Straight-line method	
Software	5-10	Straight-line method	
Patents	5-20	Straight-line method	
Certificates of third party right	3	Straight-line method	

The Company reviews the useful life and amortisation method of the intangible assets with finite useful life at the end of each year. If it is different from the previous estimates, the original estimates will be adjusted, and will be treated as a change in accounting estimate.

If it is estimated on the balance sheet date that certain intangible asset can no longer bring future economic benefit to the company, the carrying amount of the intangible asset will be entirely transferred into the profit or loss for the current period.

The impairment method for the intangible assets is set out in Note V. 22.

22. Long-term asset impairment

Impairment of long-term equity investments in subsidiaries, associates and joint ventures, asset impairment on investment property, fixed assets, construction in progress, bearer biological assets measured at cost, right-of-use assets, intangible assets, goodwill and others (excluding inventories, investment property measured at fair value, deferred tax assets and financial assets) subsequently measured at cost is determined as follows:

The Company determines if there is any indication of asset impairment as at the balance sheet date. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill arising from business combinations, intangible assets with an indefinite useful life and intangible assets not ready for use will be tested for impairment annually, regardless of whether there is any indication of impairment.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount of an individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment provision is made accordingly.

For the purpose of impairment test of goodwill, the carrying amount of goodwill acquired in a business combination is allocated to the relevant asset groups on a reasonable basis from the acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Company.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

22. Long-term asset impairment *(Continued)*

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the Company first tests the asset group or set of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognises the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its carrying amount with its recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised for goodwill.

An impairment loss recognised shall not be reversed in a subsequent period.

23. Long-term prepaid expenses

The long-term prepaid expenses incurred by the Company shall be recognised based on the actual cost, and evenly amortised over the estimated benefit period. For the long-term prepaid expense that cannot benefit the subsequent accounting periods, its value after amortisation shall be entirely included in the profit or loss for the current period.

24. Contract liabilities

A contract liability represents the Company's obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer has already paid the contract consideration before the Company transfers goods to the customer or the Company has obtained the unconditional collection right, the Company will recognise such amount received or receivable as contract liabilities at earlier of the actual payment by the customer or the amount payable becoming due. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

25. Employee benefits

(1) Scope of employee benefits

Employee benefits are all forms of considerations or compensation given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term staff remuneration, post-employment benefits, termination benefits and other long-term employee benefits. Employee benefits include benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

Employee benefits are presented as "employee benefits payable" and "long-term employee benefits payable" in the balance sheet, respectively, according to liquidity.

(2) Short-term staff remuneration

Employee wages or salaries actually incurred, bonuses, and social insurance contributions such as medical insurance, work injury insurance, maternity insurance, and housing fund, contributed at the applicable benchmarks and rates, are recognised as a liability as the employees provide services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

V. Significant Accounting Policies and Accounting Estimates (*Continued*)

25. Employee benefits (*Continued*)

(3) Post-employment benefits

Post-employment benefit plans include defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate fund and the Company has no further obligations for payment. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined contribution plans

Defined contribution plans include basic pension insurance and unemployment insurance.

During the accounting period in which an employee provides service, the amount payable calculated according to the defined contribution plan is recognised as a liability and included in the profit or loss for the current period or the cost of relevant assets.

Defined benefit plans

For defined benefit plans, the actuarial valuation is carried out by an independent actuary on the annual balance sheet date, and the cost of providing benefits is determined by the expected cumulative benefit unit method. The cost of staff remuneration arising from the Company's defined benefit plans includes the following components:

- ① Service cost, including current service cost, past service cost, and settlement gain or loss. In particular, the current service cost refers to the increase in the present value of obligations of defined benefit plans arising from the service provided by staff in the current period; the past service cost refers to the increase or decrease in the present value of obligations of defined benefit plans related to the service of the staff in the previous period arising from the revision of defined benefit plans.
- ② Net interest on net liabilities or net assets of defined benefit plans, including interest income from the assets under the plans, interest expense arising from the obligations of defined benefit plans, and interest affected by asset caps.
- ③ Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans.

Unless other accounting standards require or allow costs of staff welfare to be included in costs of assets, the Company will include the above items ① and ② in the current profit and loss; and include item ③ in other comprehensive income which will not be transferred back to profit or loss in subsequent accounting periods. When the original defined benefit plan is terminated, all the part originally included in other comprehensive income shall be transferred to retained profit within the scope of equity.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

25. Employee benefits *(Continued)*

(4) Termination benefits

When the Company provides termination benefits to employees, employee benefits liabilities arising from termination benefits are recognised in profit or loss for the current period at the earlier of the following dates: when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; the Company recognises cost and expenses related to payment of compensation for dismissal and restructuring.

For the early retirement plans, economic compensations before the actual retirement date were classified as termination benefits. During the period from the date of cease of render of services to the actual retirement date, relevant wages and contribution to social insurance for the employees proposed to be paid are recognised in profit or loss on a one-off basis. Economic compensation after the official retirement date, such as normal pension, is accounted for as post-employment benefits.

(5) Other long-term benefits

Other long-term employee benefits provided by the Group to employees that meet the conditions for defined contribution plans are accounted for in accordance with the relevant provisions relating to defined contribution plans as stated above. If the conditions for defined benefit plans are met, the benefits shall accounted for in accordance with the relevant provisions relating to defined benefit plans, but the “changes arising from the remeasurement of net liabilities or net assets of defined benefit plans” in the relevant employee benefits shall be included in the current profit and loss or the relevant costs of assets.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

26. Provisions

Obligations pertinent to the contingencies which satisfy the following conditions are recognised by the Company as provisions:

- (1) the obligation is a current obligation borne by the Company;
- (2) it is likely that an outflow of economic benefits from the Company will be resulted from the performance of the obligation;
- (3) the amount of the obligation can be reliably measured.

The provisions shall be initially measured based on the best estimate for the expenditure required for the performance of the current obligation, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies. If the time value of money has significant influence, the best estimates shall be determined after discounting the relevant future cash outflow. The Company reviews the carrying amount of the provisions on the balance sheet date and adjust the carrying amount to reflect the current best estimates.

If all or some expenses incurred for settlement of recognised provisions are expected to be borne by the third party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of provisions.

27. Share-based payments and equity instruments

(1) Category of share-based payment

The Company's share-based payment is either equity-settled or cash-settled.

(2) Determination of fair value of equity instruments

For the existence of an active market for options and other equity instruments granted by the Company, the fair value is determined at the quoted price in the active market. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. The following factors shall be taken into account using option pricing models: A. the exercise price of the option; B. the validity period of the option; C. the current market price of the share; D. the expected volatility of the share price; E. predicted dividend of the share; and F. risk-free rate of the option within the validity period.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

27. Share-based payments and equity instruments *(Continued)*

(3) Recognition of vesting of equity instruments based on the best estimate

On each balance sheet date within the vesting period, the estimated number of equity instruments expected to vest is revised based on the best estimate made by the Company according to the latest available subsequent information as to changes in the number of employees with exercisable rights. On the vesting date, the final estimated number of equity instruments expected to vest should equal the actual number of equity instruments expected to vest.

(4) Accounting treatment of implementation, modification and termination of share-based payment

Equity-settled share-based payment shall be measured at the fair value of the equity instruments granted to employees. For those may immediately vest after the grant, the fair value of equity instrument at the grant date shall be included in the relevant costs or expenses, and the capital reserve shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserve at the fair value of the equity instrument at the grant date. After the vesting period, relevant costs or expenses and total shareholders' equity which have been recognised will not be adjusted.

Cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and recognised based on the shares or other equity instruments undertaken by the Company. For those may immediately vest after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities shall be remeasured and the changes will be included in the profit or loss for the current period.

When there are changes in Company's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognised as a corresponding increase in service achieved. An increase in the fair value of equity instruments refers to the difference between the fair values of the modified date. If the modification reduces the total fair value of shares paid or not conducive to the use of other employees share-based payment plans to modify the terms and conditions of service, it will continue to be accounted for in the accounting treatment, as if the change had not occurred, unless the Company cancelled some or all of the equity instruments granted.

During the vesting period, if the cancelled equity instruments (except for failure to meet the conditions of the non-market vesting conditions) granted by the Company to cancel the equity instruments granted amount treated as accelerated vesting of the remaining period should be recognised immediately in profit or loss, while recognising capital reserves. If employees or other parties can choose to meet non-vesting conditions but they are not met in the vesting period, the Company will treat them as cancelled equity instruments granted.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

28. Perpetual Bonds

(1) Classification of financial liabilities and equity instruments

Financial instruments issued by the Company are classified into financial assets, financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial asset, financial liability and equity instruments on initial recognition.

(2) Accounting treatment of Perpetual Bonds

Financial instruments issued by the Company are initially recognised and measured in accordance with the financial instrument standards; thereafter, interest or dividends are accrued on each balance sheet date and accounted for in accordance with relevant specific ASBEs, i.e. to determine the accounting treatment for interest expenditure or dividend distribution of the instrument based on the classification of the financial instrument issued. For financial instruments classified as equity instruments, their interest expenses or dividend distributions are treated as profit distribution of the Company, and their repurchases and cancellations are treated as changes in equity; for financial instruments classified as financial liabilities, their interest expenses or dividend distribution are in principle accounted for with reference to borrowing costs, and the gains or losses arising from their repurchases or redemption are included in the profit or loss for the current period.

For the transaction costs such as fees and commissions incurred by the Company for issuing financial instruments, if such financial instruments are classified as debt instruments and measured at amortised cost, they are included in the initial measured amount of the instruments issued; if such financial instruments are classified as equity instruments, they are deducted from equity.

29. Revenue

(1) General principles

The Company recognises revenue when it satisfies a performance obligation in the contract, i.e. when the customer obtains control of the relevant goods or services.

Where a contract has two or more performance obligations, the Company allocates the transaction price to each performance obligation based on the percentage of respective unit price of goods or services guaranteed by each performance obligation, and recognises as revenue based on the transaction price that is allocated to each performance obligation.

If one of the following conditions is fulfilled, the Company performs its performance obligation within a certain period; otherwise, it performs its performance obligation at a point of time:

- ① when the customer simultaneously receives and consumes the benefits provided by the Company when the Company performs its obligations under the contract;
- ② when the customer is able to control the goods in progress in the course of performance by the Company under the contract;
- ③ when the goods produced by the Company under the contract are irreplaceable and the Company has the right to payment for performance completed to date during the whole contract term.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

29. Revenue *(Continued)*

(1) General principles *(Continued)*

For performance obligations performed within a certain period, the Company recognises revenue by measuring the progress towards complete of that performance obligation within that certain period. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be compensated, the revenue shall be recognised at the amount of costs incurred until the progress of performance can be reasonably determined.

For performance obligation performed at a point of time, the Company recognises revenue at the point of time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indications:

- ① The Company has the current right to receive payment for the goods, which is when the customer has the current payment obligations for the goods.
- ② The Company has transferred the legal title of the goods to the customer, which is when the client possesses the legal title of the goods.
- ③ The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.
- ④ The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtain all of the substantial risks and rewards of ownership of the goods to the customer.
- ⑤ The customer has accepted the goods or services.
- ⑥ Other information indicates that the customer has obtained control of the goods.

The Company's right to consideration in exchange for goods or services that the Company has transferred to customers (and such right depends on factors other than passage of time) is accounted for as contract assets, and contract assets are subject to impairment based on ECLs (Note V. 10(5)). The Company's unconditional right to receive consideration from customers (only depends on passage of time) is accounted for as accounts receivable. The Company's obligation to transfer goods or services to customers for which the Company has received or should receive consideration from customers is accounted for as contract liabilities.

Contract assets and contract liabilities under the same contract are presented on a net basis. Where the net amount has a debit balance, it is presented in "contract assets" or "other non-current assets" according to its liquidity. Where the net amount has a credit balance, it is presented in "contract liabilities" or "other non-current liabilities" according to its liquidity.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

29. Revenue *(Continued)*

(2) Specific methods

Specific method for revenue recognition of machine-made paper business of the Company: in terms of domestic sales of machine-made paper, revenue is recognised when goods are delivered to the customers and such deliveries are confirmed; while in terms of overseas sales of machine-made paper, revenue is recognised on the day when goods are loaded on board and declared.

Specific method for recognition of finance lease income of the Company: according to the repayment schedule, the income is recognised by instalments according to the effective interest rate.

Specific method for recognition of revenue from real estate of the Company: revenue is recognised by amortising the property rental income on a straight-line basis over the lease term.

The specific method for the Company to recognise revenue from electricity and steam: the sales of steam and electricity by the Company are performance obligations performed at a point of time. For sales of electricity, the Company recognises revenue from sales of electricity based on the quantity of electricity delivered to customers every month at a price agreed in the contract. For sales of steam, the Company recognises revenue from sales of steam based on the amount of steam delivered to customers every month at a price agreed in the contract.

The specific method for the Company to recognise revenue from construction materials, moulds and paper chemicals: revenue is recognised when goods are delivered to the customers and such deliveries are confirmed.

30. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. sales commission. The Company recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other ASBEs, the Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- ② the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- ③ the costs are expected to be recovered.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

30. Contract costs *(Continued)*

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates;
- ② the cost estimated to be happened for the transfer of related goods or services.

The costs of contract performance recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as “Inventories” item, and if the amortisation period is more than one year or a normal operating cycle upon the initial recognition, are presented as “other non-current assets” item.

The contract obtaining costs recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as “other current assets” item, and if the amortisation period is more than one year or a normal operating cycle upon the initial recognition, are presented as “other non-current assets” item.

31. Government grants

A government grant is recognised when the grant will be received and that the Company will comply with the conditions attaching to the grant.

If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, it is measured at fair value; if the fair value cannot be obtained in a reliable way, it is measured at the nominal amount of RMB1.

Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as government grants related to assets, while the remaining government grants are classified as government grants related to revenue.

Regarding the government grant not clearly defined in the official documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to revenue. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to revenue.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

31. Government grants *(Continued)*

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the asset in a reasonable and systematic manner. For a government grant related to revenue, if the grant is a compensation for related costs, expenses or losses incurred, the grant shall be recognised in profit or loss for the current period or used to offset related costs; if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, the grant shall be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs, expenses or losses are recognised. A government grant measured at nominal amount is directly included in profit or loss for the current period. The Company adopts a consistent approach to the same or similar government grants.

A government grant related to daily activities is recognised in other gains or used to offset related costs relying on the essence of economic business; otherwise, recognised in non-operating income.

For the repayment of a government grant already recognised, if the carrying amount of relevant assets was written off at initial recognition, the carrying amount of the assets shall be adjusted; if there is any related deferred income, the repayment shall be offset against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; otherwise, the repayment shall be recognised immediately in profit or loss for the current period.

32. Deferred income tax assets/deferred income tax liabilities

Income tax comprises current income tax expense and deferred income tax expense, which are included in profit or loss for the current period as income tax expenses, except for deferred tax related to transactions or events that are directly recognised in owners' equity which are recognised in owners' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base at the balance sheet date of the Company shall be recognised as deferred income tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

32. Deferred income tax assets/deferred income tax liabilities *(Continued)*

The Company recognises a deferred income tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected accordingly.

At the balance sheet date, the Company reviews the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

33. Lease

(1) Identification of leases

On the beginning date of the contract, the Company (as a lessee or lessor) assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use. If a contract conveys the right to control the use of an identified asset and multiple identified assets for a period of time in exchange for consideration, the Company identifies such contract is, or contains, a lease.

(2) The Company as lessee

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

The accounting policy for right-of-use assets is set out in Note V. 20.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

33. Lease *(Continued)*

(2) The Company as lessee *(Continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the beginning date of the lease using the interest rate implicit in the lease. Where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments include fixed payments and in-substance fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating; and amounts expected to be payable by the lessee under residual value guarantees. Subsequently, the interest expense on the lease liability for each period during the lease term is calculated using a constant periodic rate of interest and is recognised in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are recognised in profit or loss for the period in which they actually arise.

Short-term lease

Short-term leases refer to leases with a lease term of less than 12 months from the commencement date, except for those with a purchase option.

Lease payments on short-term leases are recognised in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

For short-term leases, the Company chooses to adopt the above simplified approach for the following types of assets that meet the conditions of short-term lease according to the classification of leased assets.

Low-value equipment

Transportation vehicles

Low-value asset lease

A low-value asset lease is a lease that the value of a single leased asset is below RMB40,000 when it is a new asset.

Lease payments on low-value asset leases are recognised on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

For a low-value asset lease, the Company chooses the above simplified approach based on the specific circumstances of each lease.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

33. Lease *(Continued)*

(2) The Company as lessee *(Continued)*

Lease modification

The Company accounts for a lease modification as a separate lease when the modification occurs and the following conditions are met: ① the lease modification expands the scope of lease by adding the right to use one or more of the leased assets; and ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Company reallocates the consideration of the modified contract, redetermines the lease term and remeasures the lease liability based on the present value of the lease payments after the modification and the revised discount rate.

If a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the carrying amount of the right-of-use asset accordingly and includes in the profit or loss for the period the gain or loss associated with the partial or complete termination of the lease.

Where other lease modifications result in a remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use asset accordingly.

(3) The Company as lessor

When the Company is a lessor, a lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All leases other than financial leases are classified as operating leases.

Finance leases

Under finance leases, the Company accounts for finance lease receivables at the beginning of the lease term at the net lease investment, which is the sum of the unsecured residual value and the present value of the lease receipts outstanding at the commencement date of the lease, discounted at the interest rate implicit in the lease. The Company as lessor calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate. Variable lease payments acquired by the Company as lessor that are not included in the net measurement of lease investments are included in profit or loss for the period when they are actually incurred.

Derecognition and impairment of finance lease receivables are accounted for in accordance with the requirements under the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

33. Lease *(Continued)*

(3) The Company as lessor *(Continued)*

Operating lease

Lease payments under operating leases are recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in relation to operating leases are capitalised and amortised over the lease term on the same basis as rental income and recognised in profit or loss for the current period. The variable lease payments obtained in relation to operating leases that are not included in the lease payments are recognised in profit or loss in the period in which they actually incurred.

Lease modification

The Company accounts for a modification in an operating lease as a new lease from the effective date of the modification and the amount of lease receipts received in advance or receivable in respect of the lease prior to the modification is treated as a receipt under the new lease.

The Company accounts for a modification in a finance lease as a separate lease when the change occurs and the following conditions are met: ① the modification expands the scope of lease by adding the right to use one or more of the leased assets; and ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a finance lease is modified and not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances: ① If the modification takes effect on the lease commencement date, the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and use the net lease investment before the effective date of the lease modification; ② If the modification takes effect on the lease commencement date, the lease will be classified as a finance lease, and the Company will conduct accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on modifying or renegotiating contracts.

(4) Sublease

When the Company is an intermediate lessor, the sublease is classified with reference to the right-of-use assets arising from the head lease. If the head lease is a short-term lease for which the Company adopts a simplified approach, then the Company classifies the sublease as an operating lease.

V. Significant Accounting Policies and Accounting Estimates (Continued)

33. Lease (Continued)

(5) Sale and leaseback

The lessee and the lessor shall assess and determine whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the requirements of the Accounting Standard for Business Enterprises No. 14 – Revenue.

Where asset transfer under the sale and leaseback transactions is a sale, the lessee shall measure the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognise relevant profit or loss for the right transferred to the lessor. The lessor shall account for the purchase of assets in accordance with other applicable ASBEs and account for the lease of assets in accordance with this standard.

Where asset transfer under the sale and leaseback transactions is not a sale, the lessee shall continue to recognise the transferred assets while recognising a financial liability equal to the transfer income and account for such liability according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; or not to recognise the transferred assets but recognise a financial asset equal to the transfer income and account for such asset according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

34. Production safety expenses

According to relevant provisions, the Company makes provisions for production safety expenses based on the revenue of the power plant in the previous year and the prescribed percentages. The specific provisions are as follows: ① if the revenue of the previous year did not exceed RMB10 million, provisions would be made at 3%; ② if the revenue of the previous year exceeded RMB10 million but did not exceed RMB100 million, provisions would be made at 1.5%; ③ if the revenue of the previous year exceeded RMB100 million but did not exceed RMB1,000 million, provisions would be made at 1%; ④ if the revenue of the previous year exceeded RMB1,000 million but did not exceed RMB5,000 million, provisions would be made at 0.8%; ⑤ if the revenue of the previous year exceeded RMB5,000 million but did not exceed RMB10,000 million, provisions would be made at 0.6%; ⑥ if the revenue of the previous year exceeded RMB10,000 million, provisions would be made at 0.2%.

Provisions for production safety expenses are included in the cost of related products or profit or loss of the current period and included in “special reserves” correspondingly.

When the provisions for production safety expenses and maintenance costs are utilised within the prescribed scope, if such production safety expenses are applied and related to revenue expenditures, specific reserve is directly offset. When fixed assets are incurred, they are included in the “construction in progress” item and transferred to fixed assets when the status of the assets is ready for intended use. They are then offset against specific reserve based on the amount included in fixed assets while corresponding amount is recognised in accumulated depreciation. Such fixed assets are no longer depreciated in subsequent periods.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

35. Repurchase of shares

Prior to cancellation or transfer of shares repurchased, the Company recognises all expenditures arising from share repurchase as cost of treasury shares in the treasury share account. Considerations and transaction fee incurred from the repurchase of shares shall lead to the elimination of owners' equity and does not recognise profit or loss when shares of the Company are repurchased, transferred or cancelled.

The difference between the actual amount received and the carrying amount of the treasury shares are recognised as capital reserve when the treasury shares are transferred, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and retained profit. When the treasury shares are cancelled, the capital shall be eliminated according to the number of shares and par value of cancelled shares, the difference between the actual amount received and the carrying amount of the treasury shares are recognised as capital reserve, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and retained profit.

36. Restricted shares

If the Company grants the restricted shares to incentive participants under an equity incentive plan, the incentive participants shall subscribe for the shares first. If the unlocking conditions stipulated in the equity incentive plan cannot be fulfilled subsequently, the Company repurchase the shares at the predetermined price. If the registration and other capital increase procedures for the restricted shares issued to employees are completed in accordance with relevant regulations, the Company recognises share capital and capital reserve (or capital premium) based on the subscription money received from the employees on the grant date; and recognises treasury shares and other payables for repurchase obligation.

37. Critical accounting judgments and estimates

The Company gives continuous assessment on, among other things, the reasonable expectations of future events and the critical accounting estimates and key assumptions adopted according to its historical experience and other factors. The critical accounting estimates and key assumptions that are likely to lead to significant adjustment risks of the carrying amount of assets and liabilities for the next financial year are listed as follows:

Classification of financial assets

Significant judgements involved in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

Factors considered by the Company in determining the business model for a group of financial assets include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how the relevant management personnel are compensated.

When the Company assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost. For example, whether the amount repaid in advance reflects only the outstanding principal and interest thereon, as well as reasonable compensation paid for early termination of the contract.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

37. Critical accounting judgments and estimates *(Continued)*

Measurement of the ECLs of accounts receivable

The Company calculates the ECLs of accounts receivable using the exposure to default risk and ECL rate of accounts receivable, and determines the ECL rate based on default probability and default loss rate. When determining the ECL rate, the Company adjusts its historical data by referring to information such as historical credit loss experience as well as current situation and forward-looking information. When considering the forward-looking information, indicators used by the Company include the risk of economic downturn, external market environment, technology environment and changes in customers. The assumptions relating to the ECL calculation are monitored and reviewed by the Company on a regularly basis.

Impairment of goodwill

The Company assesses the impairment of goodwill at least annually, which requires estimates on the use value of asset groups allocated with goodwill. When estimating use value, the Company is required to estimate the future cash flow from such asset groups while selecting the appropriate discount rate to calculate the present value of future cash flow.

Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-based payments

When calculating the liabilities and expenses related to the equity incentive plan, the management of the Company is required to make judgments and estimates on issues such as the turnover rate and vesting conditions. Differences in the judgments and estimates will have a material effect on the financial statements.

38. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Interpretation No. 15 of the Accounting Standards for Business Enterprises

The Ministry of Finance issued Interpretation No. 15 of the Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) ("Interpretation No. 15") in December 2021.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

38. Changes in significant accounting policies and accounting estimates *(Continued)*

(1) Changes in significant accounting policies *(Continued)*

Interpretation No. 15 of the Accounting Standards for Business Enterprises *(Continued)*

Interpretation No. 15 stipulates that, in case an enterprise conducts external sales of products or by-products produced before fixed assets reaching their intended use or during the R&D process (collectively, “Trial Sales”), the revenues and costs related to Trial Sales shall be accounted for separately and included in the current profit and loss in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standards for Business Enterprises No. 1 – Inventories. The net amount arising from relevant revenue for Trial Sales offsetting relevant costs for Trial Sales shall not be written off against the cost of the fixed assets or R&D expenses. Before the relevant products or by-products under Trial Sales are sold externally, those products that meet the requirements of the Accounting Standards for Business Enterprises No. 1 – Inventories shall be recognised as inventories, and those products that meet the recognition criteria for relevant assets in other relevant accounting standards for business enterprises shall be recognised as those relevant assets.

From 1 January 2022, the Company has implemented the requirement of “Accounting treatment for external sales of the fixed assets before reaching their intended use or the products or by-products produced during the R&D process of a company” under Interpretation No. 15 and made retrospective adjustment.

Interpretation No.15 stipulates that, “costs that will inevitably occur in the performance of contractual obligations” in an onerous contract should reflect the minimum net cost of rescinding that contract, i.e. the lower of the cost of performing the contract and the compensation or penalty for failure to perform the contract. The cost for the enterprise to perform the contract comprises the incremental cost of performing the contract and the apportioned amount of other costs directly related to the performance of the contract. Among them, the incremental cost of performing the contract includes direct labour, direct materials, etc.; the apportioned amount of other costs directly related to the performance of the contract includes the apportioned amount of depreciation expenses of fixed assets used to perform the contract, etc.

From 1 January 2022, the Company has implemented the requirement of “Determination of onerous contracts” under Interpretation No.15, retrospectively adjusted the retained earnings as at 1 January 2022, and did not adjust the comparative financial statements data in the prior period.

The adoption of Interpretation No. 15 had no material impact on the financial position and operating results of the Company.

Interpretation No. 16 of the Accounting Standards for Business Enterprises

The Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) (“Interpretation No. 16”) in November 2022.

Interpretation No. 16 stipulates that, for financial instruments such as perpetual bonds classified as equity instruments, the enterprise shall recognise the income tax effect related to dividends when recognising dividend receivables. For distributed profits from transactions or events that previously generated profit or loss, the income tax effect of the dividend shall be included in profit or loss for the period; for distributed profits from transactions or events that was previously recognised in owner’s equity, the income tax effect of the dividend shall be included in owner’s equity.

V. Significant Accounting Policies and Accounting Estimates *(Continued)*

38. Changes in significant accounting policies and accounting estimates *(Continued)*

(1) Changes in significant accounting policies *(Continued)*

Interpretation No. 16 of the Accounting Standards for Business Enterprises *(Continued)*

If the Company's recognition of dividend receivable in relation to financial instruments classified as equity instruments occurs during the year, the income tax effect involved shall be accounted for in accordance with the aforesaid requirements of Interpretation No. 16. If the recognition occurred before 1 January 2022 and relevant financial instrument has not been derecognised as at 1 January 2022, the income tax effect shall be adjusted retrospectively.

Interpretation No. 16 stipulates that, if an enterprise replaces cash-settled share-based payment with equity-settled share-based payment in accordance with terms and conditions under cash-settled share-based payment agreement, on the date of change, equity-settled share-based payment shall be measured at the fair value as at the date of grant of such equity instrument, with services received to be included in capital reserve. Meanwhile, recognised liability in relation to cash-settled share-based payment as at the date of change shall be derecognised, with difference thereof to be included in profit or loss for the current period. If the vesting period is extended or shortened due to the revision, the enterprise shall perform the above accounting treatment according to the revised vesting period (without considering the relevant accounting treatment provisions of adverse revisions).

The Company's cash-settled share-based payment that occurred during the year was changed to an equity-settled share-based payment, and accounting treatment was performed in accordance with the aforesaid requirements of Interpretation No. 16. For such transactions that occurred before 1 January 2022, the Company adjusted the retained earnings and other related financial statement items on 1 January 2022, without adjusting the information for the comparable period.

The adoption of Interpretation No. 16 had no material impact on the financial position and operating results of the Company.

(2) Changes in significant accounting estimates

The Company did not have any change in significant accounting estimates during the year.

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VI. Taxation

1. Main tax types and tax rates

Tax type	Tax base	Tax rate (%)
Value added tax (VAT)	Taxable income	13/9/6
Property tax	Rental income and property price	1.2/12
Urban maintenance and construction tax	Turnover tax payable	7
Enterprise income tax (EIT)	Taxable income	25

Disclosure of taxable entities subject to different EIT tax rates

Name of taxable entity	EIT tax rate (%)
Shandong Chenming Paper Holdings Limited	15
Shouguang Meilun Paper Co., Ltd.	15
Jilin Chenming Paper Co., Ltd.	15
Jiangxi Chenming Paper Co., Ltd.	15
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	15
Huanggang Chenming Pulp & Paper Co., Ltd.	15
Kunshan Tuoan Plastic Products Co., Ltd.	15
Shouguang Wei Yuan Logistics Company Limited	20
Shouguang Chenming Papermaking Machine Co., Ltd.	20
Shouguang Xinyuan Coal Co., Ltd.	20
Shouguang Shun Da Customs Declaration Co, Ltd.	20
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Nanchang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Chenming Arboriculture Co., Ltd.	Exempt from EIT
Yangjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT

2. Tax incentives

(1) Enterprise income tax

On 15 December 2021, the Company received a high and new technology enterprise certificate with a certification number of GR202137005666. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, the Company is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202137005468 on 15 December 2021. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202222000414 on 29 November 2022. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2022 to 2024.

VI. Taxation *(Continued)*

2. Tax incentives *(Continued)*

(1) Enterprise income tax *(Continued)*

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202236000018 on 4 November 2022. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2022 to 2024.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202144001212 on 20 December 2021. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Zhanjiang Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Wuhan Chenming Hanyang Paper Holdings Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202042001502 on 1 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Wuhan Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Huanggang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202042001471 on 1 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Huanggang Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Kunshan Tuoan Plastic Products Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202032004526 on 2 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Kunshan Tuoan is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Pursuant to the requirements of Rule 27(1) of Law of the People's Republic of China on Enterprise Income Tax and Rule 86(1) of regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd., Yangjiang Chenming Arboriculture Development Co., Ltd., Nanchang Chenming Arboriculture Development Co., Ltd. and Chenming Arboriculture Co., Ltd., which are the subsidiaries of the Company, have completed the filings for EIT reduction for exemption from EIT.

VI. Taxation (Continued)

2. Tax incentives (Continued)

(1) Enterprise income tax (Continued)

Shouguang Xinyuan Coal Co., Ltd., Shouguang Chenming Papermaking Machine Co., Ltd., Shouguang Wei Yuan Logistics Company Limited and Shouguang Shun Da Customs Declaration Co, Ltd., which are subsidiaries of the Company, are small and micro enterprises. Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Business (Cai Shui [2021] No. 12) and the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises (Cai Shui [2022] No. 13), the annual taxable income of a small low-profit enterprise that is less than RMB1 million shall be included in its taxable income at a reduced rate of 12.5%, with the applicable enterprise income tax rate of 20%. The annual taxable income of a small low-profit enterprise that is more than RMB1 million but not exceeding RMB3 million shall be included in its taxable income at a reduced rate of 25%, with the applicable enterprise income tax rate of 20%.

Guangdong Chenming Panels Co., Ltd., a subsidiary of the Company, meets the requirements of Rule 99 of the Regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax (Decree No. 512 of the State Council of the People's Republic of China) and the Announcement of the Ministry of Finance and the State Administration of Taxation on Improvement of the Value-added Tax Policy for the Comprehensive Utilisation of Resources (Cai Shui [2021] No. 40): For enterprises that derive income from the products listed in the Catalogue which are in line with related national or industry standards by making use of the resources listed in the Catalogue as the main raw materials, taxable income will be calculated at a reduced rate of 90% of the total revenue. To be entitled to the above tax benefits, the ratio of the resources listed in the Catalogue and the raw materials used for the product shall be consistent with the required technical standards stated in the Catalogue.

(2) Value-added Tax ("VAT")

Pursuant to Rule 10 of the Interim Regulation of the People's Republic of China on Value Added Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd., Yangjiang Chenming Arboriculture Development Co., Ltd., Nanchang Chenming Arboriculture Development Co., Ltd. and Chenming Arboriculture Co., Ltd., which are subsidiaries of the Company, are exempt from VAT, and have completed the filings for VAT reduction for exemption from VAT.

Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on Improvement of the Value-added Tax Policy for the Comprehensive Utilisation of Resources (Cai Shui [2021] No. 40), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Guangdong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2022.

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VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	3,491,219.08	2,926,080.68
Bank deposit	2,155,968,930.43	3,166,431,843.70
Other monetary funds	11,840,974,836.57	10,950,425,015.28
Total	14,000,434,986.08	14,119,782,939.66
Of which: Total deposits in overseas banks	593,378,097.70	462,952,909.20
Total restricted amount due to mortgages, pledges or freezes	11,756,140,645.56	10,756,936,714.59

Other explanations:

- ① Other monetary funds of RMB9,038,936,192.70 were the guarantee deposit for the application for bank acceptance with the banks by the Company;
- ② Other monetary funds of RMB2,164,908,904.28 were the guarantee deposit for the application for letter of credit with the banks by the Company;
- ③ Other monetary funds of RMB135,702,304.71 were the guarantee deposit for the application for guarantees with the banks by the Company;
- ④ Other monetary funds of RMB298,872,520.00 were the guarantee deposit for the application for loans with the banks by the Company;
- ⑤ Other monetary funds of RMB117,550,110.51 were the Company's statutory reserve deposits at the People's Bank of China;
- ⑥ Other monetary funds of RMB170,613.36 were locked-up due to reasons such as litigations or being unused for a long time, resulting in restriction on the use of that account's balance;
- ⑦ Other monetary funds included accrued interest of RMB84,834,191.01.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	74,708,444.88	110,886,182.88
Of which:		
Investment in equity instruments	74,708,444.88	110,886,182.88
Total	74,708,444.88	110,886,182.88

Explanation: Financial assets held for trading were shares of Bohai Bank subscribed by the Company.

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VII. Notes to items of the consolidated financial statements (Continued)

3. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable										
assessed individually for										
bad debt provision	226,667,597.47	6.13%	226,667,597.47	100.00 %		224,831,742.24	7.24%	224,831,742.24	100.00%	
Accounts receivable										
assessed collectively for										
bad debt provision	3,473,893,247.32	93.87%	261,632,801.36	7.53 %	3,212,260,445.96	2,880,986,860.24	92.76%	224,469,709.78	7.79%	2,656,517,150.46
Of which:										
Due from related party										
customers	8,639,295.98	0.23%	1,775,510.01	20.55 %	6,863,785.97	109,385.42	0.004%			109,385.42
Due from non-related party										
customers	2,081,296,530.28	56.24%	52,357,160.25	2.52%	2,028,939,370.03	1,855,021,764.82	59.73%	84,870,622.11	4.58%	1,770,151,142.71
Factoring receivables	1,383,957,421.06	37.40%	207,500,131.10	14.99%	1,176,457,289.96	1,025,855,710.00	33.03%	139,599,087.67	13.61%	886,256,622.33
Total	3,700,560,844.79	100.00 %	488,300,398.83	13.20%	3,212,260,445.96	3,105,818,602.48	100.00%	449,301,452.02	14.47%	2,656,517,150.46

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VII. Notes to items of the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

(1) Disclosure of accounts receivable by category (Continued)

Items assessed individually for bad debt provision:

Unit: RMB

Name	Book balance	Closing balance		Provision reason
		Bad debts provision	Provision percentage	
Hengfeng Hongyuan Real Estate Holdings Co., Ltd.	45,493,811.40	45,493,811.40	100.00%	Long outstanding
Ningxia Lingwu Baota Dagu Storage and Transportation Co., Ltd.	27,600,000.00	27,600,000.00	100.00%	Long outstanding
Foshan Shunde Xingchen Paper Co., Ltd.	26,236,528.70	26,236,528.70	100.00%	Long outstanding
Zhengzhou Hongyang Paper Products Co., Ltd.	15,113,432.93	15,113,432.93	100.00%	Long outstanding
Shandong Bisheng Printing Materials Co., Ltd.	14,813,369.27	14,813,369.27	100.00%	Long outstanding
Henan Yibang Technology Trading Co., Ltd.	13,396,601.22	13,396,601.22	100.00%	Long outstanding
91 companies including Shandong Yiming New Material Technology Corp Co., Ltd.	84,013,853.95	84,013,853.95	100.00%	Long outstanding
Total	226,667,597.47	226,667,597.47	100.00%	

Items assessed collectively for bad debt provision: Due from related party customers

Unit: RMB

Name	Book balance	Closing balance	
		Bad debts provision	Provision percentage
Within 1 year	3,578,801.50	13,445.83	0.38%
1 to 2 years	5,060,494.48	1,762,064.18	34.82%
Total	8,639,295.98	1,775,510.01	20.55 %

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VII. Notes to items of the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

(1) Disclosure of accounts receivable by category (Continued)

Items assessed collectively for bad debt provision: Receivables from non-related party customer

Unit: RMB

Name	Book balance	Closing balance	
		Bad debts provision	Provision percentage
Within 1 year	2,018,983,850.89	11,339,235.33	0.56%
1 to 2 years	4,167,887.95	979,453.67	23.50%
2 to 3 years	2,316,203.17	1,036,515.87	44.75%
Over 3 years	55,828,588.27	39,001,955.38	69.86%
Total	2,081,296,530.28	52,357,160.25	2.52%

Items assessed collectively for bad debt provision: Factoring receivables

Unit: RMB

Name	Book balance	Closing balance	
		Bad debts provision	ECL rate
Within 1 year	458,101,711.06	30,899,634.33	6.75%
1 to 2 years	720,016,666.64	104,101,666.65	14.46%
2 to 3 years	11,785,852.50	2,892,926.25	24.55%
Over 3 years	194,053,190.86	69,605,903.87	35.87%
Total	1,383,957,421.06	207,500,131.10	14.99%

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VII. Notes to items of the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

(1) Disclosure of accounts receivable by category (Continued)

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs, please disclose the information about bad debt provision with reference to the way of disclosure of other receivables:

Applicable Not applicable

Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	2,555,600,334.26	2,570,865,124.93
1 to 2 years	729,245,049.07	128,884,575.48
2 to 3 years	84,102,055.67	196,893,864.00
Over 3 years	331,613,405.79	209,175,038.07
Total	3,700,560,844.79	3,105,818,602.48

The basis used by the ageing analysis of the accounts receivable of the Company: the ageing of accounts receivable is the length of time of the Company's outstanding accounts receivable based on invoice date. The closing balance is recognised one by one from the end of the period onwards until the amounts add up to the balance. It is also broken up by intervals of within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years and over 5 years.

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Written-off	Others	
Bad debt provision	449,301,452.02	90,714,695.75	51,857,429.84	225,000.00	366,680.90	488,300,398.83
Total	449,301,452.02	90,714,695.75	51,857,429.84	225,000.00	366,680.90	488,300,398.83

Explanation: Others represent exchange losses.

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VII. Notes to items of the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

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

The total amount of top five accounts receivable based on closing balance of debtors for the period amounted to RMB1,126,114,844.49 in total, accounting for 30.43% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB112,684,936.03 in total.

Unit: RMB

Name of entity	Closing balance of accounts receivable	As a percentage of the closing balance of the total accounts receivable	Closing balance of bad debt provision
Customer 1	479,821,566.65	12.97%	46,022,645.00
Customer 2	222,656,666.64	6.02%	24,596,930.88
Customer 3	198,805,660.00	5.37%	27,024,669.68
Customer 4	121,908,333.33	3.29%	14,629,000.00
Customer 5	102,922,617.87	2.78%	411,690.47
Total	1,126,114,844.49	30.43%	112,684,936.03

4. Accounts receivable financing

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	924,960,384.16	435,459,341.76
Total	924,960,384.16	435,459,341.76

Changes (increase or decrease) during the period and change in fair value of accounts receivable financing

Applicable Not applicable

If the provision for impairment of accounts receivable financing is made in accordance with the general model of ECLs, please disclose the information about provision for impairment with reference to the way of disclosure of other receivables:

Applicable Not applicable

VII. Notes to items of the consolidated financial statements (Continued)

5. Prepayments

(1) Presentation of prepayments according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	749,904,460.45	95.14%	803,771,958.81	90.16%
1 to 2 years	38,287,166.37	4.86%	87,713,119.65	9.84%
Total	788,191,626.82	100.00%	891,485,078.46	100.00%

(2) Top five prepayments based on closing balance of prepaid parties

The total amount of top five prepayments based on closing balance of prepaid parties for the period amounted to RMB350,644,860.35, accounting for 44.49% of the closing balance of the total prepayments.

Name of entity	Closing balance of prepayments	As a percentage of the
		closing balance of the total prepayments
Customer 1	95,016,586.53	12.06%
Customer 2	78,986,431.42	10.02%
Customer 3	71,063,593.98	9.02%
Customer 4	54,496,248.42	6.91%
Customer 5	51,082,000.00	6.48%
Total	350,644,860.35	44.49%

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VII. Notes to items of the consolidated financial statements (Continued)

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	1,717,445,443.44	2,252,864,083.00
Total	1,717,445,443.44	2,252,864,083.00

1) Other receivables by nature

Unit: RMB

Nature	Closing balance	Opening balance
Open credit	2,108,991,172.35	2,692,253,554.58
Reserve and borrowings	26,270,269.00	11,980,522.29
Guarantee deposit and deposit	12,230,367.80	5,125,826.96
Others	52,332,819.95	80,560,739.46
Total	2,199,824,629.10	2,789,920,643.29

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VII. Notes to items of the consolidated financial statements (Continued)

6. Other receivables (Continued)

2) Particulars of bad debt provision

Closing bad debt provision at phase 1:

Unit: RMB

Category	Book balance	ECL rate (%) for the next 12 months	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed individually					
Interests receivable					
Dividend receivable					
Bad debt provision assessed collectively	610,966,970.79	12.04%	73,559,281.09	537,407,689.70	
Amount due from government agencies	18,592,937.45	92.49%	17,196,725.50	1,396,211.95	
Amount due from related parties	90,340,892.53	6.13%	5,541,541.63	84,799,350.90	
Other receivables	502,033,140.81	10.12%	50,821,013.96	451,212,126.85	
Total	610,966,970.79	12.04%	73,559,281.09	537,407,689.70	

As at the end of the period, the Group did not have interest receivables, dividends receivables and other receivables in phase 2.

As at the end of the period, closing bad debt provision at phase 3:

Unit: RMB

Category	Book balance	ECL rate (%) over the entire life	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed individually	1,588,857,658.31	25.73%	408,819,904.57	1,180,037,753.74	
Total	1,588,857,658.31	25.73%	408,819,904.57	1,180,037,753.74	

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VII. Notes to items of the consolidated financial statements (Continued)

6. Other receivables (Continued)

2) Particulars of bad debt provision (Continued)

Changes in book balance with significant changes in loss provision for the year

Applicable Not applicable

Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	617,314,987.00	797,531,460.41
1 to 2 years	257,038,289.93	1,344,225,352.93
2 to 3 years	702,427,199.71	484,647,394.76
Over 3 years	623,044,152.46	163,516,435.19
Total	2,199,824,629.10	2,789,920,643.29

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Written-off	Others	
Bad debt provision	537,056,560.29	59,369,839.74	114,047,214.37			482,379,185.66
Total	537,056,560.29	59,369,839.74	114,047,214.37			482,379,185.66

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VII. Notes to items of the consolidated financial statements (Continued)

6. Other receivables (Continued)

4) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five other receivables based on closing balance of debtors for the year was RMB1,409,037,406.04, which accounted for 64.05% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB283,949,858.78.

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	As a percentage of the closing balance of total other receivables	Closing balance of bad debt provision
Customer 1	Consideration for equity transfer	493,800,000.00	2 to 3 years	22.45%	54,318,000.00
Customer 2	Consideration for equity transfer	457,402,316.85	3 to 4 years	20.79%	137,220,695.06
Customer 3	Consideration for equity transfer	199,054,783.56	2 to 3 years	9.05%	21,896,026.19
Customer 4	Consideration for equity transfer	143,940,305.63	Within 1 year; 1 to 2 years	6.54%	64,773,137.53
Customer 5	Consideration for equity transfer	114,840,000.00	Within 1 year	5.22%	5,742,000.00
Total		1,409,037,406.04		64.05%	283,949,858.78

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VII. Notes to items of the consolidated financial statements (Continued)

7. Inventories

Whether the Company needs to comply with the disclosure requirements for real estate industries

No

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Opening balance		Carrying amount
		Impairment provision for inventories or performance costs	Carrying amount	Impairment provision for inventories or performance costs	Carrying amount	
Raw materials	2,488,652,200.15	18,096,641.64	2,470,555,558.51	1,734,387,984.21	24,660,967.32	1,709,727,016.89
Work-in-process products	111,248,779.69		111,248,779.69	148,489,098.95		148,489,098.95
Goods in stock	1,622,062,893.55	16,737,849.96	1,605,325,043.59	1,910,051,642.16	4,941,686.65	1,905,109,955.51
Developing costs	1,138,178,959.32		1,138,178,959.32			
Consumable biological assets	1,496,607,818.84		1,496,607,818.84	1,519,305,850.77		1,519,305,850.77
Total	6,856,750,651.55	34,834,491.60	6,821,916,159.95	5,312,234,576.09	29,602,653.97	5,282,631,922.12

Note: Consumable biological assets are forestry assets.

(2) Impairment provision for inventories or performance costs

Unit: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	24,660,967.32	922,116.24		7,486,441.92		18,096,641.64
Goods in stock	4,941,686.65	16,737,849.96		4,941,686.65		16,737,849.96
Total	29,602,653.97	17,659,966.20		12,428,128.57		34,834,491.60

Item	Basis for recognition of net realisable value/residual consideration with future cost	Reason for reversal or written-off of impairment provision for inventories/performance costs during the period
Raw materials	The cost of raw materials is higher than their net realisable value	Written-off of impairment provision for inventories due to sales of impaired spare parts during the period
Goods in stock	The cost of goods in stock is higher than their net realisable value	Written-off of impairment provision for inventories due to sales of impaired goods in stock during the period

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VII. Notes to items of the consolidated financial statements (Continued)

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	3,998,724,415.85	5,216,934,172.61
Total	3,998,724,415.85	5,216,934,172.61

Explanations:

- ① Long-term receivables due within one year amounting to RMB3,920,915,510.01 (amount for the beginning of the period: RMB5,188,103,553.61) were financial lease receivables;
- ② Long-term receivables due within one year amounting to RMB77,808,905.84 (amount for the beginning of the period: RMB28,830,619.00) were deposits receivable.

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Input tax amount to be deducted	141,038,575.79	807,004,437.68
Prepaid tax	92,806,690.76	132,297,740.90
Receivables under financial lease due within one year	340,546,803.50	388,156,667.35
Factoring receivables due within one year	298,446,276.63	303,281,361.74
Prepaid expenses	241,313,507.50	195,453,994.69
Other payments	66,655,947.44	77,735,290.49
Total	1,180,807,801.62	1,903,929,492.85

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VII. Notes to items of the consolidated financial statements (Continued)

10. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance		Discount rate range
		Bad debt provision	Carrying amount		Bad debt provision	Carrying amount	
Finance lease payments	6,739,718,184.27	1,302,116,713.90	5,437,601,470.37	8,344,107,765.88	1,211,551,549.72	7,132,556,216.16	4%-12%
Less: Unrealised financing income	271,455,622.37		271,455,622.37	366,945,292.53		366,945,292.53	
Equipment lease financing	351,446,696.64		351,446,696.64	272,996,696.64		272,996,696.64	
Less: Unrealised financing income	32,060,345.32		32,060,345.32	32,913,472.31		32,913,472.31	
Subtotal	6,787,648,913.22	1,302,116,713.90	5,485,532,199.32	8,217,245,697.68	1,211,551,549.72	7,005,694,147.96	
Less: Long-term receivables due within one year	5,075,152,713.36	1,076,428,297.51	3,998,724,415.85	6,244,230,790.74	1,027,296,618.13	5,216,934,172.61	
Total	1,712,496,199.86	225,688,416.39	1,486,807,783.47	1,973,014,906.94	184,254,931.59	1,788,759,975.35	

Particulars of bad debt provision impairment

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Bad debts provision	ECL rate (%)	Carrying amount	Amount	Percentage	Bad debts provision	ECL rate (%)	Carrying amount
Accounts receivable assessed individually										
for impairment	1,147,177,668.74	66.99%	222,451,005.54	19.39%	924,726,663.20	1,716,394,801.61	86.99%	183,801,256.59	10.71%	1,532,593,545.02
Of which:										
Financial lease payments	1,147,177,668.74	66.99%	222,451,005.54	19.39%	924,726,663.20	1,716,394,801.61	86.99%	183,801,256.59	10.71%	1,532,593,545.02
Accounts receivable assessed collectively										
for impairment	565,318,531.12	33.01%	3,237,410.85	0.57%	562,081,120.27	256,620,105.33	13.01%	453,675.00	0.18%	256,166,430.33
Of which:										
Receivables not past due	323,741,085.64	18.90%	3,237,410.85	1.00%	320,503,674.79	45,367,500.00	2.30%	453,675.00	1.00%	44,913,825.00
Deposits receivable	241,577,445.48	14.11%			241,577,445.48	211,252,605.33	10.71%			211,252,605.33
Total	1,712,496,199.86	100.00%	225,688,416.39	13.18%	1,486,807,783.47	1,973,014,906.94	100.00%	184,254,931.59	9.34%	1,788,759,975.35

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VII. Notes to items of the consolidated financial statements (Continued)

10. Long-term receivables (Continued)

(1) Particulars of long-term receivables (Continued)

Accounts receivable assessed collectively for bad debt provision:

Collectively assessed item: receivables not past due

	Book balance	Closing balance Bad debt provision	ECL rate (%)
Within 1 year			
1 to 2 years	183,235,530.08	1,832,355.30	1.00%
2 to 3 years	140,505,555.56	1,405,055.55	1.00%
Total	323,741,085.64	3,237,410.85	1.00%

Collectively assessed item: Deposits receivable

	Book balance	Closing balance Bad debt provision	ECL rate (%)
Within 1 year			
1 to 2 years	108,284,310.81		
2 to 3 years	113,937,377.76		
Over 3 years	19,355,756.91		
Total	241,577,445.48		

Changes in book balance with significant changes in loss provision for the year

Applicable Not applicable

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

Provision of bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision	184,254,931.59	239,636,712.56	180,258,987.57	17,944,240.19		225,688,416.39
Total	184,254,931.59	239,636,712.56	180,258,987.57	17,944,240.19		225,688,416.39

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VII. Notes to items of the consolidated financial statements (Continued)

11. Long-term equity investments

Unit: RMB

Investee	Opening balance (carrying amount)	Additional contribution	Withdrawn contribution	Change for the period						Closing balance (carrying amount)	Closing balance of impairment provision
				Investment gain or loss recognised under equity method	Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision	Others		
I. Joint ventures											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	6,902,869.87			1,989,789.55			1,000,000.00				7,892,659.42
Weifang Sime Darby West Port Co., Ltd.	77,370,998.75			-2,522,428.02							74,848,570.73
Shouguang Meite Environmental Technology Co., Ltd.	14,616,124.71			-5,694,280.83							8,921,843.88
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)		2,360,000,000.00		-1,338.33							2,359,998,661.67
Weifang Xingxing United Chemical Co., Ltd.	84,623,787.74			7,250,597.38							91,874,385.12
Subtotal	183,513,781.07	2,360,000,000.00		1,022,339.75			1,000,000.00				2,543,536,120.82
II. Associates											
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	36,967,896.31			-191,185.40							36,776,710.91
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	197,297,485.59			-79,166.82							197,218,318.77
Jiangxi Chenming Port Co., Ltd.	554,582.45		554,582.45								
Goldtrust Futures Co., Ltd.	185,452,462.50			-7,063,279.67							178,389,182.83
Chenming (Qingdao) Asset Management Co., Ltd.	6,933,668.14			488,367.55			940,000.00				6,482,035.69
Guangdong Nanyue Bank Co., Ltd.	1,284,074,888.13			29,939,682.54	596,429.87						1,314,611,000.54
Subtotal	1,711,280,983.12		554,582.45	23,094,418.20	596,429.87		940,000.00				1,733,477,248.74
Total	1,894,794,764.19	2,360,000,000.00	554,582.45	24,116,757.95	596,429.87		1,940,000.00				4,277,013,369.56

Other explanation: For the reason for the change of the opening balance of Guangdong Nanyue Bank Co., Ltd., please refer to Note VII. 40 and 46.

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VII. Notes to items of the consolidated financial statements (Continued)

12. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Investment in debt instruments	663,000,000.00	400,000,000.00
Investment in equity instruments	123,750,761.62	119,927,003.25
Total	786,750,761.62	519,927,003.25

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VII. Notes to items of the consolidated financial statements (Continued)

13. Investment property

(1) Investment property under the cost method

√ Applicable □ Not applicable

Unit: RMB

Item	Housing and building structure	Land use rights	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	7,196,809,856.62		7,196,809,856.62	
2. Increase during the period				
3. Decrease during the period	36,595,287.79		36,595,287.79	
(1) Disposal	36,595,287.79		36,595,287.79	
4. Closing balance	7,160,214,568.83		7,160,214,568.83	
II. Accumulated depreciation and accumulated amortisation				
1. Opening balance	723,271,424.71		723,271,424.71	
2. Increase during the period	196,967,552.86		196,967,552.86	
(1) Provision or amortisation	196,967,552.86		196,967,552.86	
3. Decrease during the period	16,747,521.89		16,747,521.89	
(1) Disposal	16,747,521.89		16,747,521.89	
4. Closing balance	903,491,455.68		903,491,455.68	
III. Impairment provision				
IV. Carrying amount				
1. Closing carrying amount	6,256,723,113.15		6,256,723,113.15	
2. Opening carrying amount	6,473,538,431.91		6,473,538,431.91	

VII. Notes to items of the consolidated financial statements (Continued)

13. Investment property (Continued)

(1) Investment property under the cost method (Continued)

Note: Investment properties under the Company primarily include:

- ① Pujiang International Finance Plaza, located at No. 1098, Dongdaming Road, Hongkou District, Shanghai, is a long-term held office property of Shanghai Hongtai Real Estate Co., Ltd., a subsidiary of the Company, mainly used for external rental or office purposes;
- ② Jinan Chenming Finance Building (濟南晨鳴金融大廈), located in No. 7 Zone, Hanyu Financial Business Center, No. 7000, Jingshi Road, Jinan Innovation Zone, is a long-term held office property of Shandong Chenming Investment Limited, a subsidiary of the Company, mainly used for external rental or office purposes;
- ③ Fatum Apartment (法朵公寓), located at No. 463, Anbo Road, No. 22, Lane 467, Anbo Road, Yangpu District, Shanghai, is a long-term held apartment property of Shanghai Herui Investment Co., Ltd., a subsidiary of the Company, mainly used for external rental purposes;
- ④ Guangzhou Zhengjia Plaza (廣州正佳廣場), located at Room 3901-3926, No. 372, Huanshi East Road, Yuexiu District, Guangzhou, is a long-term held office property of Guangzhou Chenming Financial Leasing Co., Ltd., a subsidiary of the Company, mainly used for external rental purposes;
- ⑤ Shenzhen Zhuoyue Baozhong Times Square (深圳卓越寶中時代廣場), located at Room 3201-3210, Building C, Zhuoyue Baozhong Times Square (Phase 2), Xin'an Sub-district, Bao'an District, Shenzhen, is a long-term held office property of Guangzhou Chenming Financial Leasing Co., Ltd., a subsidiary of the Company, mainly used for external rental purposes.
- ⑥ Shanghai Xizang South Road shop, located at No. 518-528 Xizang South Road, Shanghai, is a long-term store held by Wuhan Junheng Property Management Co. Ltd., a subsidiary, mainly for external rental purposes.

14. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	33,527,978,754.73	35,653,492,676.15
Disposal of fixed assets	269,759,940.57	
Total	33,797,738,695.30	35,653,492,676.15

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VII. Notes to items of the consolidated financial statements (Continued)

14. Fixed assets (Continued)

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Vehicles	Electronic equipment and others	Total
I. Original carrying amount:					
1. Opening balance	10,673,297,551.11	43,798,170,683.63	296,201,440.65	457,044,021.47	55,224,713,696.86
2. Increase during the period	108,552,460.21	641,571,341.54	9,576,094.44	4,362,101.96	764,061,998.15
(1)Acquisition	25,384,908.65	115,296,460.56	9,366,494.44	4,319,542.49	154,367,406.14
(2)Transferred from construction in progress	83,167,551.56	526,274,880.98			609,442,432.54
(3)Not arising from business combinations			209,600.00	42,559.47	252,159.47
3. Decrease during the period	495,040,886.43	1,333,560,015.57	16,975,869.77	60,940,651.68	1,906,517,423.45
(1)Disposal or retirement	495,040,886.43	442,810,515.10	16,975,869.77	60,940,651.68	1,015,767,922.98
(2)Transferred to construction in progress		890,749,500.47			890,749,500.47
4. Closing balance	10,286,809,124.89	43,106,182,009.60	288,801,665.32	400,465,471.75	54,082,258,271.56
II. Accumulated amortisation					
1. Opening balance	2,302,130,749.09	16,572,843,548.56	190,913,517.71	300,377,759.61	19,366,265,574.97
2. Increase during the period	272,469,044.65	1,750,539,361.40	23,612,986.05	11,990,544.47	2,058,611,936.57
(1)Provision	272,469,044.65	1,750,539,361.40	23,570,236.08	11,959,197.36	2,058,537,839.49
(2)Business combinations			42,749.97	31,347.11	74,097.08
3. Decrease during the period	244,847,454.17	762,222,715.98	14,052,395.99	53,518,891.88	1,074,641,458.02
(1)Disposal or retirement	244,847,454.17	335,197,976.64	14,052,395.99	53,518,891.88	647,616,718.68
(2)Transferred to construction in progress		427,024,739.34			427,024,739.34
4. Closing balance	2,329,752,339.57	17,561,160,193.98	200,474,107.77	258,849,412.20	20,350,236,053.52
III. Provision for impairment					
1. Opening balance	27,808,852.79	169,697,469.90	13,889.13	7,435,233.92	204,955,445.74
2. Increase during the period					
(1)Provision					
(2)Other increases					
3. Decrease during the period		911,982.43			911,982.43
(1)Disposal or retirement		911,982.43			911,982.43
(2)Other deductions					
4. Closing balance	27,808,852.79	168,785,487.47	13,889.13	7,435,233.92	204,043,463.31
IV. Carrying amount					
1. Closing carrying amount	7,929,247,932.53	25,376,236,328.15	88,313,668.42	134,180,825.63	33,527,978,754.73
2. Opening carrying amount	8,343,357,949.23	27,055,629,665.17	105,274,033.81	149,231,027.94	35,653,492,676.15

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VII. Notes to items of the consolidated financial statements (Continued)

14. Fixed assets (Continued)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Housing and building structure	72,585,434.37	23,605,530.66	3,093,008.64	45,886,895.07	
Machinery and equipment	894,040,081.30	541,801,642.98	148,006,512.04	204,231,926.28	
Electronic equipment	478,399.18	429,965.75	7,187.27	41,246.16	
Total	967,103,914.85	565,837,139.39	151,106,707.95	250,160,067.51	

(3) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

Item	Carrying amount	Reason for not yet obtaining property right certificates
Housing and building structure (Zhanjiang Chenming Pulp & Paper Co., Ltd.)	1,016,649,687.58	Under application
Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.)	604,754,973.18	Under application
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	538,467,123.04	Under application
Housing and building structure (Jilin Chenming Paper Co., Ltd.)	374,746,177.49	Under application
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	199,871,987.70	Under application
Housing and building structure (Shandong Chenming Paper Holdings Limited)	106,804,376.97	Under application

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VII. Notes to items of the consolidated financial statements (Continued)

14. Fixed assets (Continued)

(4) Disposal of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Machinery equipment, electronic and other equipment in production workshop of Wuhan Chenming	3,457,743.88	
Housing and office equipment of Wuhan Chenming management integrated office	168,170,645.13	
Generator machinery equipment of Qianneng Electric Power factory area	59,225,154.99	
Boiler room and other structures of Qianneng Electric Power factory area	38,801,269.05	
Transportation and others of Qianneng Electric Power factory area	105,127.52	
Total	269,759,940.57	

15. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	551,020,785.44	189,818,292.48
Materials for project	7,846,094.92	7,931,233.57
Total	558,866,880.36	197,749,526.05

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VII. Notes to items of the consolidated financial statements (Continued)

15. Construction in progress (Continued)

(1) Particulars of construction in progress

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Relocation of Wuhan 4800 papermaking machine project (Zhanjiang)	303,942,703.51		303,942,703.51			
Technological transformation project	121,193,391.56		121,193,391.56	47,469,755.74		47,469,755.74
Integrated forestry, pulp and paper project (Huanggang Pulp & Paper)	45,538,442.78		45,538,442.78	16,687,683.29		16,687,683.29
Fly ash cement ceramsite production project (Shandong Chenming)				54,246,139.19		54,246,139.19
Relocation of Wuhan household paper project (Phase II) (Meilun)				28,705,483.25		28,705,483.25
Original OCC technological transformation (Meilun)				3,064,340.30		3,064,340.30
Others	101,484,919.35	21,138,671.76	80,346,247.59	60,783,562.47	21,138,671.76	39,644,890.71
Total	572,159,457.20	21,138,671.76	551,020,785.44	210,956,964.24	21,138,671.76	189,818,292.48

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VII. Notes to items of the consolidated financial statements (Continued)

15. Construction in progress (Continued)

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

Unit: RMB

Project name	Budget	Opening balance	Increase during the period	Transfer to fixed asset during the period	Other deductions during the period	Accumulated investment Closing balance	Construction in progress	Accumulated capitalised interest	Of which:		Source of fund
									Capitalised interest during the period	Capitalisation rate of the interest amount for the period	
Relocation of Wuhan 4800 papermaking machine project (Zhanjiang)	800,000,000.00		303,942,703.51			303,942,703.51	37.99%	37.99%			Self-owned funds
Integrated forestry, pulp and paper project (Huanggang Pulp & Paper)	320,000,000.00	16,687,683.29	28,850,759.49			45,538,442.78	28.10%	25.00%			Self-owned funds
Fly ash cement ceramsite production project (Shandong Chenming)	57,000,000.00	54,246,139.19		54,246,139.19			95.17%	100.00%			Self-owned funds
Relocation of Wuhan household paper project (Phase II) (Meilun)	270,000,000.00	28,705,483.25	240,716,977.99	269,422,461.24			99.79%	100.00%			Self-owned funds
Original OCC technological transformation (Meilun)	110,000,000.00	3,064,340.30	111,649,106.79	114,713,447.09			104.28%	100.00%			Self-owned funds
Total	1,557,000,000.00	102,703,646.03	685,159,547.78	438,382,047.52		349,481,146.29					

(3) Materials for project

Unit: RMB

Project name	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Special materials	7,846,094.92		7,846,094.92	7,931,233.57		7,931,233.57
Total	7,846,094.92		7,846,094.92	7,931,233.57		7,931,233.57

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VII. Notes to items of the consolidated financial statements (Continued)

16. Bearer biological assets

Unit: RMB

Item	Tea trees	Total
I. Original carrying amount:		
1. Opening balance		
2. Increase during the period	13,697,336.80	13,697,336.80
(1) Purchase	13,697,336.80	13,697,336.80
3. Decrease during the period		
4. Closing balance	13,697,336.80	13,697,336.80
II. Accumulated amortisation		
1. Opening balance		
2. Increase during the period		
3. Decrease during the period		
4. Closing balance		
III. Impairment provision		
1. Opening balance		
2. Increase during the period		
3. Decrease during the period		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	13,697,336.80	13,697,336.80
2. Opening carrying amount		

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VII. Notes to items of the consolidated financial statements (Continued)

17. Right-of-use assets

Unit: RMB

Item	Land use rights	Housing and building structure	Total
I. Original carrying amount:			
1. Opening balance	218,097,859.06	5,571,378.54	223,669,237.60
2. Increase during the period			
3. Decrease during the period	12,277,636.65	24,770.64	12,302,407.29
(1) Transfer or held for sale	12,029,930.24		12,029,930.24
(2) Other decreases	247,706.41	24,770.64	272,477.05
4. Closing balance	205,820,222.41	5,546,607.90	211,366,830.31
II. Accumulated amortisation			
1. Opening balance	25,467,932.29	772,128.87	26,240,061.16
2. Increase during the period	7,459,891.32	277,392.88	7,737,284.20
(1) Provision	7,459,891.32	277,392.88	7,737,284.20
3. Decrease during the period	4,225,214.30		4,225,214.30
(1) Transfer or held for sale	4,225,214.30		4,225,214.30
4. Closing balance	28,702,609.31	1,049,521.75	29,752,131.06
III. Impairment provision			
1. Opening balance			
2. Increase during the period			
3. Decrease during the period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	177,117,613.10	4,497,086.15	181,614,699.25
2. Opening carrying amount	192,629,926.77	4,799,249.67	197,429,176.44

Explanation: The reason for other deductions for the period is that the original recognised amount was tax-included, and as the invoices for leasing have been received, the input tax amount offset the original carrying amount of the right-of-use assets.

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VII. Notes to items of the consolidated financial statements (Continued)

18. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Software	Patents	Certificates of third party right	Total
I. Original carrying amount:					
1. Opening balance	2,040,126,983.35	21,946,825.64	27,358,613.05	15,908,674.87	2,105,341,096.91
2. Increase during the period	307,340,370.39	107,606.09	135,000.00		307,582,976.48
(1) Purchase	307,340,370.39	107,606.09	135,000.00		307,582,976.48
3. Decrease during the period	30,181,176.17				30,181,176.17
(1) Disposal	30,181,176.17				30,181,176.17
4. Closing balance	2,317,286,177.57	22,054,431.73	27,493,613.05	15,908,674.87	2,382,742,897.22
II. Accumulated amortisation					
1. Opening balance	474,004,742.76	21,814,590.97	940,153.77	15,908,674.87	512,668,162.37
2. Increase during the period	54,343,146.07	239,840.76	115,991.67		54,698,978.50
(1) Provision	54,343,146.07	239,840.76	115,991.67		54,698,978.50
(2) Other increases					
3. Decrease during the period	15,963,074.57				15,963,074.57
(1) Disposal	15,963,074.57				15,963,074.57
4. Closing balance	512,384,814.26	22,054,431.73	1,056,145.44	15,908,674.87	551,404,066.30
III. Impairment provision					
1. Opening balance					
2. Increase during the period					
3. Decrease during the period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	1,804,901,363.31		26,437,467.61		1,831,338,830.92
2. Opening carrying amount	1,566,122,240.59	132,234.67	26,418,459.28		1,592,672,934.54

Explanation:

- ① For details of restricted ownership, please refer to note VII. 65.
- ② Certificates of third party right refer to enterprise emission rights.

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VII. Notes to items of the consolidated financial statements (Continued)

19. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period Arising from business combinations	Decrease during the period Disposal	Closing balance
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Kunshan Tuoan Plastic Products Co., Ltd.	26,946,905.38			26,946,905.38
Total	41,261,065.98			41,261,065.98

(2) Provision for impairment of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period Arising from business combinations	Decrease during the period Disposal	Closing balance
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Total	14,314,160.60			14,314,160.60

Explanation:

The Company assessed the recoverable amount of goodwill and determined that the goodwill related to the Company's plastic business was not impaired. With the category of the principal activities as the basis for determining the reporting segments, the Company regarded Kunshan Tuoan Plastic Products Co., Ltd. as an asset group. The recoverable amount was determined based on the present value of the estimated future cash flows. Future cash flows were determined based on the financial budget for 2023 to 2027 as approved by the management, and adopted 7.28% as the discount rate which was the interest rate of the 5-year bonds issued by the Company in 2018. The cash flows for more than 5 years are calculated based on the growth rate of 5%. Other key assumptions used in estimating future cash flows included the estimated sales and gross profit based on the performance of such asset group in the past and the expectation to market development by the management. The management believed that any reasonable change in the above assumptions will not result in the total book value of the asset group Kunshan Tuoan Plastic Products Co., Ltd. exceeding its recoverable amount.

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VII. Notes to items of the consolidated financial statements (Continued)

20. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase during the period	Amortisation during the period	Other deductions	Closing balance
Woodland expenses	8,387,048.73		1,153,220.98		7,233,827.75
Others	40,754,724.41		3,525,700.71		37,229,023.70
Total	49,141,773.14		4,678,921.69		44,462,851.45

21. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	2,344,419,524.10	549,431,097.40	2,323,311,804.03	544,452,793.22
Unrealised profit arising from intra-group transactions	47,231,691.32	11,807,922.83	110,621,031.60	27,655,257.90
Outstanding payables	169,723,942.88	26,380,462.69	646,596,211.53	97,758,308.63
Deferred income	193,822,821.65	29,673,699.36	202,273,476.76	30,341,021.50
Deductible loss	4,578,592,243.20	716,030,918.97	2,508,683,883.40	409,890,367.80
Debt reconstructing	30,831.05	7,707.76	18,734,830.91	4,683,707.73
Special reserves	15,791,710.95	2,368,756.59		
Subtotal	7,349,612,765.15	1,335,700,565.60	5,810,221,238.23	1,114,781,456.78

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset valuation increment from business combinations involving entities not under common control	19,104,051.04	4,776,012.76	22,697,097.44	5,674,274.36
Debt reconstructing	13,621,006.12	3,405,251.53	30,145,021.52	7,536,255.38
Subtotal	32,725,057.16	8,181,264.29	52,842,118.96	13,210,529.74

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VII. Notes to items of the consolidated financial statements (Continued)

21. Deferred income tax assets/deferred income tax liabilities (Continued)

(3) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	10,365,962.12	1,671,856.52
Deductible loss	808,569,643.83	871,738,259.31
Total	818,935,605.95	873,410,115.83

(4) Expiry of deductible loss of unrecognised deferred income tax assets falls in the periods as follows

Unit: RMB

Year	Closing balance	Opening balance	Remark
2022	—	172,477,313.31	
2023	189,187,446.57	193,244,812.35	
2024	178,453,991.84	177,526,329.96	
2025	251,671,920.26	234,127,550.55	
2026	119,959,990.04	94,362,253.14	
2027	69,296,295.12	—	
Total	808,569,643.83	871,738,259.31	

22. Other non-current assets

Unit: RMB

Item	Book balance	Closing balance		Opening balance		
		Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Prepayments for certificates of third party right	2,612,250.68		2,612,250.68			
Payments for engineering and equipment	981,293,657.32		981,293,657.32	64,364,443.42		64,364,443.42
Land transfer fees				298,072,250.68		298,072,250.68
Consideration for acquisition of companies				127,500,000.00		127,500,000.00
Total	983,905,908.00		983,905,908.00	489,936,694.10		489,936,694.10

VII. Notes to items of the consolidated financial statements (Continued)

23. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Discounted borrowings	16,207,640,000.00	16,194,790,000.00
Guaranteed borrowings	9,757,184,167.65	7,734,756,765.41
Credit borrowings	9,613,884,197.48	8,847,850,884.15
Pledged borrowings	741,339,929.89	675,627,536.66
Mortgage borrowings	65,000,000.00	70,000,000.00
Total	36,385,048,295.02	33,523,025,186.22

Explanation of the classification of short-term borrowings:

- ① For classification and amount of mortgage borrowings and mortgage assets, please see 1. Monetary funds and 65. Assets with restricted ownerships or right to use in Note VII.
- ② For classification and amount of pledged borrowings and mortgage assets, please see 1. Monetary funds and 65. Assets with restricted ownerships or right to use in Note VII.
- ③ Overdue outstanding short-term borrowings: total outstanding short-term borrowings overdue as at the end of the period amounted to RMB0.00.
- ④ Short-term borrowings included accrued interest of RMB32,723,667.40.

24. Bills payable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	1,922,361,633.83	1,690,589,691.19
Commercial acceptance bills	1,206,234,201.21	1,398,922,636.21
Total	3,128,595,835.04	3,089,512,327.40

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

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VII. Notes to items of the consolidated financial statements (Continued)

25. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	3,619,549,023.04	3,074,700,464.48
Payment for engineering	146,144,102.25	307,195,168.83
Payment for equipment	100,493,461.51	249,371,719.69
Others	248,780,180.96	239,863,992.34
Total	4,114,966,767.76	3,871,131,345.34

(2) Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	3,746,315,716.20	3,282,236,529.52
1 to 2 years	98,287,651.12	229,465,372.73
2 to 3 years	52,080,919.33	164,915,158.41
Over 3 years	218,282,481.11	194,514,284.68
Total	4,114,966,767.76	3,871,131,345.34

The basis used by the ageing analysis of the accounts payable of the Company: the ageing of accounts payable is the length of time of the Company's outstanding accounts payable based on invoice date. The closing balance is recognised one by one from the end of the period onwards until the amounts add up to the balance. It is also broken up by intervals of within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years and over 5 years.

(3) Significant accounts payable aged over 1 year

Unit: RMB

Item	Closing balance	Reasons
WEIFANG XINGXING UNITED CHEMICAL CO., LTD.	26,905,494.34	Not due for payment
OMYA HAIMING (NANCHANG) CHEMICAL CO. LTD.	16,000,000.00	Not due for payment
ZHEJIANG JNDIA PIPELINE INDUSTRY CO., LTD.	11,477,155.91	Not due for payment
VOITH GERMANY	5,307,499.40	Not due for payment
CSSC 704TH RESEARCH INSTITUTE	4,867,627.54	Not due for payment
Total	64,557,777.19	

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VII. Notes to items of the consolidated financial statements (Continued)

26. Receipts in advance

(1) Particulars of receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Prepaid property rents	14,261,436.67	38,274,028.20
Total	14,261,436.67	38,274,028.20

27. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods in advance	1,306,029,389.80	1,382,289,597.54
Total	1,306,029,389.80	1,382,289,597.54

28. Staff remuneration payables

(1) Particulars of staff remuneration payables

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term remuneration	169,854,249.70	1,154,738,836.43	1,225,239,542.72	99,353,543.41
II. Retirement benefit plan-defined contribution scheme	44,758.31	214,495,684.26	168,968,098.98	45,572,343.59
III. Termination benefits		26,403,423.69	26,403,423.69	
Total	169,899,008.01	1,395,637,944.38	1,420,611,065.39	144,925,887.00

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VII. Notes to items of the consolidated financial statements (Continued)

28. Staff remuneration payables (Continued)

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	160,186,039.82	923,106,793.77	998,917,968.82	84,374,864.77
2. Staff welfare		50,934,315.92	50,934,315.92	
3. Social insurance premium	346,948.68	97,568,137.62	93,842,395.80	4,072,690.50
Of which: Medical insurance premium	344,352.16	86,730,174.85	86,404,928.46	669,598.55
Work-related injury insurance premium	98.44	6,797,772.73	4,283,667.71	2,514,203.46
Maternity insurance premium	2,498.08	4,040,190.04	3,153,799.63	888,888.49
4. Housing provident funds	5,094,807.67	56,134,004.61	53,727,874.48	7,500,937.80
5. Union funds and workers' education	1,488,335.51	14,216,192.07	15,241,510.11	463,017.47
6. Other short-term remuneration	2,738,118.02	12,779,392.44	12,575,477.59	2,942,032.87
Total	169,854,249.70	1,154,738,836.43	1,225,239,542.72	99,353,543.41

(3) Defined contribution

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance premiums	43,609.94	203,857,697.22	160,286,177.74	43,615,129.42
2. Unemployment insurance premiums	1,148.37	10,637,987.04	8,681,921.24	1,957,214.17
Total	44,758.31	214,495,684.26	168,968,098.98	45,572,343.59

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VII. Notes to items of the consolidated financial statements (Continued)

29. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	128,305,607.36	125,522,336.03
Enterprise income tax	51,538,384.55	89,597,918.41
Property tax	34,531,806.76	13,083,934.41
Stamp duty	12,987,679.08	3,456,472.38
Land use tax	10,659,878.19	9,240,921.98
Urban maintenance and construction tax	5,069,014.46	3,748,576.77
Educational surcharges and others	3,955,412.99	2,931,140.78
Individual income tax	4,765,040.27	61,378,163.24
Environmental Protection Tax	3,674,817.23	3,959,856.45
Resource tax	3,500,000.00	4,500,000.00
Land appreciation tax	2,024,028.20	4,076,160.22
Total	261,011,669.09	321,495,480.67

30. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	1,854,507,978.66	1,482,575,808.13
Interest payable	15,895,930.51	55,437,777.80
Total	1,870,403,909.17	1,538,013,585.93

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	15,895,930.51	21,132,222.24
Interest on medium-term notes		34,305,555.56
Total	15,895,930.51	55,437,777.80

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VII. Notes to items of the consolidated financial statements (Continued)

30. Other payables (Continued)

(2) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Deposit	788,792,126.26	261,990,665.03
Open credit	490,279,690.52	550,223,956.81
Accrued expenses	355,492,234.45	341,923,505.85
The obligation to repurchase shares under the share incentive scheme	129,112,395.74	226,860,000.00
Others	90,831,531.69	101,577,680.44
Total	1,854,507,978.66	1,482,575,808.13

2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
ZHANJIANG RUNBAO TRADING CO., LTD.	160,000,000.00	Not due for payment
SHANGHAI SHUILAN PROPERTY MANAGEMENT CO., LTD.	136,000,000.00	Not due for payment
NINE DRAGONS DAWEI HOLDINGS CO., LTD.	30,000,000.00	Not due for payment
WEIFANG XINGXING UNITED CHEMICAL CO., LTD.	16,860,000.00	Not due for payment
WUHAN TIANRUI PAPER CO., LTD.	7,941,708.00	Not due for payment
Total	350,801,708.00	

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VII. Notes to items of the consolidated financial statements (Continued)

31. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	2,398,150,298.72	1,543,620,543.60
Long-term borrowings due within one year	1,920,748,225.56	2,583,730,366.67
Bonds payable due within one year	350,000,000.00	1,270,636,933.46
Lease liabilities due within one year	4,606,717.58	4,606,717.58
Other non-current liabilities due within one year		1,198,716,666.67
Total	4,673,505,241.86	6,601,311,227.98

32. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Mortgage borrowings	3,118,508,092.17	3,921,048,883.74
Credit borrowings	1,405,855,117.94	1,910,041,837.91
Guaranteed borrowings	1,378,621,266.53	2,028,979,800.00
Less: Long-term borrowings due within one year	1,920,748,225.56	2,583,730,366.67
Total	3,982,236,251.08	5,276,340,154.98

Explanation of the classification of long-term borrowings:

- ① For classification and amount of pledged assets of pledged borrowings, please see 1. Monetary funds and 65. Assets with restricted ownerships or right to use in Note VII;
- ② Long-term borrowings included accrued interest of RMB11,874,827.63.

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VII. Notes to items of the consolidated financial statements (Continued)

33. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
18 Chenming Bond 01 – Chenming Group		155,000,000.00
Total		155,000,000.00

(2) Increase/decrease in bonds payable (excluding other financial instruments such as preference shares and Perpetual Bonds classified as financial liabilities)

Unit: RMB

Name of commercial paper	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/ discount	Redemption during the period	Changes in foreign exchange gains and losses	Closing balance
18 Chenming Bond 01 – Chenming Group	350,000,000.00	2018-4-2	5 years	350,000,000.00	350,000,000.00		20,255,374.96		20,255,374.96		350,000,000.00
Chenming USD Bonds	1,137,120,600.00	2019-8-6	2.6 years	1,125,276,863.46	1,075,636,933.46		30,847,102.56	1,019,717.03	1,111,571,636.62	4,067,883.57	
Less: Bonds payable due within one year					1,270,636,933.46						350,000,000.00
Total	–			1,475,276,863.46	155,000,000.00		51,102,477.52	1,019,717.03	1,131,827,011.58	4,067,883.57	

34. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease payments payable	76,929,509.38	81,362,458.45
Less: Unrecognised financing expenses	18,726,744.34	19,474,535.06
Less: Lease liabilities due within one year	4,606,717.58	4,606,717.58
Total	53,596,047.46	57,281,205.81

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VII. Notes to items of the consolidated financial statements (Continued)

35. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	3,160,771,126.31	2,358,901,022.99
Total	3,160,771,126.31	2,358,901,022.99

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Financial leasing	4,928,891,190.81	3,188,521,566.59
China Development Bank Special Fund	412,500,000.00	488,000,000.00
Contributions by other partners	211,530,234.22	225,000,000.00
Retention for the financial leasing operations	6,000,000.00	1,000,000.00
Less: Long-term payables due within one year	2,398,150,298.72	1,543,620,543.60
Total	3,160,771,126.31	2,358,901,022.99

Other explanation:

Contributions by other partners refer to the contributions made by other partners to Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) and Weifang Chendu Equity Investment Partnership (Limited Partnership), and such contributions are reclassified as financial liabilities on a consolidation basis.

36. Provisions

Unit: RMB

Item	Closing balance	Opening balance	Reason
Pending litigation		325,259,082.28	Losses from Arjo's lawsuit
Total		325,259,082.28	

Other explanations including relevant important assumptions and estimates of important provision:

In February 2017, Arjowiggins HKK2 Limited ("HKK2 Company") submitted a H share winding-up petition against the Company to Hong Kong High Court due to a joint venture dispute, which required a compensation for economic loss of RMB167 million and interest thereon, and legal costs of USD3.54 million and arbitration fee of HK\$3.3 million and interest thereon to HKK2. The Company made provision of RMB320 million for such pending litigation in 2017. On 5 August 2020, the Court of Appeal of the High Court of the HKSAR made the judgment to dismiss the appeal of the Company. On 21 January 2022, Hong Kong Court of Final Appeal accepted the Company's appeal. On 14 June 2022, Hong Kong Court of Final Appeal rejected the Company's appeal, and directed that the sum of HK\$389,112,432.44, together with interest accrued thereon, previously deposited with the Court as a stay of the conditions of the winding up petition filed by HKK2 against the Company pursuant to the order of the Judge of the Court of First Instance, Mr. HARRIS Jonathan Russell, shall be paid to HKK2. The Company fulfilled the judgement of the litigation during the reporting period.

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VII. Notes to items of the consolidated financial statements (Continued)

37. Deferred income

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	1,573,681,684.25		104,451,215.79	1,469,230,468.46	Financial provision
Total	1,573,681,684.25		104,451,215.79	1,469,230,468.46	—

Items in respect of government grants:

Unit: RMB

Liability item	Opening balance	New grants during the period	Include in non-operating income for the period	Include in other income for the period	Amount charged against cost expenses	Other changes	Closing balance	Asset-related/income-related
Project fund for National Key Technology Research and Development Program	1,123,125.00			164,700.00			958,425.00	Asset-related government grants
Infrastructure and environmental protection engineering	220,099,227.08			11,778,260.39			208,320,966.69	Asset-related government grants
Huanggang forestry-pulp paper project	496,020,740.85			25,026,217.80			470,994,523.05	Asset-related government grants
Zhanjiang forestry-pulp paper project	50,806,597.19			4,094,632.92			46,711,964.27	Asset-related government grants
Financial subsidies for technological transformation project	144,150,333.36			11,535,807.72			132,614,525.64	Asset-related government grants
Funding for environmental protection	627,047,425.68			50,592,141.88			576,455,283.80	Asset-related government grants
Others	34,434,235.09			1,259,455.08			33,174,780.01	Asset-related government grants
Total	1,573,681,684.25			104,451,215.79			1,469,230,468.46	

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VII. Notes to items of the consolidated financial statements (Continued)

38. Share capital

Unit: RMB

	Opening balance	Increase/decrease during the year (+/-)				Subtotal	Closing balance
		Repurchase of restricted shares	Bonus shares	Shares converted from reserves	Others		
Total number of shares	2,984,208,200.00	-4,466,000.00				-4,466,000.00	2,979,742,200.00

Explanation: Grant Thornton (Special General Partnership) issued a Capital Verification Report (Zhi Tong Yan Zi (2022) No. 371C000576) for the repurchase of restricted shares during the period. On 18 July 2022, the second extraordinary meeting of the tenth session of the Board and the first extraordinary meeting of the tenth session of the Supervisory Committee considered and approved the Resolution on the Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares. On 18 October 2022, the Company completed the registration of the repurchase and cancellation of certain restricted shares granted to 15 participants but yet to be released under the 2020 Restricted A Share Incentive Scheme, with a total of 4,466,000 A shares repurchased and cancelled. The total number of shares of the Company changed from 2,984,208,200 to 2,979,742,200.

39. Other equity instruments

(1) Perpetual Bonds outstanding at the end of the period

Outstanding financial instruments	Year of issuance	Accounting classification	Dividend or interest rate	Issue price	Issue size	Amount (RMB)	Maturity date or renewal status	Condition for conversion	Conversion
17 Lu Chenming MTN001	2017	Equity instrument	8.97%	100.00	10,000,000.00	1,000,000,000.00	No defined maturity date	No	Non-convertible
Total					10,000,000.00	1,000,000,000.00			

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VII. Notes to items of the consolidated financial statements (Continued)

39. Other equity instruments (Continued)

- (2) Changes in preference shares, Perpetual Bonds and other financial instruments outstanding at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Increase during the period		Decrease during the period		End of the period	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
17 Lu Chenming MTN001	10,000,000.00	996,000,000.00					10,000,000.00	996,000,000.00
Total	10,000,000.00	996,000,000.00					10,000,000.00	996,000,000.00

Changes (increase or decrease) in other equity instruments during the period, the reasons for such changes, and the basis for relevant accounting treatment:

- ① The Company issued medium-term notes amounting to RMB1,000 million on 12 July 2017 at a coupon rate of 6.80%. The proceeds net of issue costs amounted to RMB996.00 million.

The notes are debts without a defined maturity date and will continue indefinitely until the exercise of the right of redemption by the Company. The interest rate of the bills is determined by the basic interest rate + the initial interest rate + 300BP. It has the feature of capped interest rates and the capped interest rate does not exceed the average interest rate level of the same type of instruments in the same industry in the same period; The Company has the right to defer any payment of interest. The right of redemption of the notes is vested in the Company so that it is up to the Company to decide whether to redeem or not; the priority of repayment of the principal and interest of medium-term notes for the period is the same as other outstanding debt financing instruments of the issuers in the event of winding up, because there is low probability of bankruptcy that the Company will not be liable for contractual obligations to deliver cash or other financial assets expected.

Based on the above, the notes do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they are eligible to be recognised and accounted for as equity instruments and included under other equity – Perpetual Bonds.

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VII. Notes to items of the consolidated financial statements (Continued)

40. Capital reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share premium	4,471,891,796.08	141,082,717.08	8,262,100.00	4,604,712,413.16
Other capital reserves	755,366,304.33	1,121,804.80		756,488,109.13
Total	5,227,258,100.41	142,204,521.88	8,262,100.00	5,361,200,522.29

Explanation:

- ① the Company recognised the management fees during the vesting period for the share-based payments with an increase of capital reserves of RMB1,121,804.80;
- ② a capital increase of Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, was contributed on the part of other investors, causing a decrease in the Company's shareholding without loss of control, and an increase of capital reserves of RMB141,082,717.08;
- ③ due to the failure to fulfil the unlocking conditions, certain restricted shares were repurchased during the year with a decrease in capital reserves of RMB8,262,100.00;
- ④ Guangdong Nanyue Bank Co., Ltd. ("Nanyue Bank"), an associate of the Company, implemented the new financial instrument standard since 2021. The Company made retrospective adjustment based on the change of the accounting policy of Nanyue Bank due to the implementation of the new financial instrument standard. In accordance with the fifth batch of Q&As on the 2021 ASBEs issued by the Accounting Department of the Ministry of Finance (I) Q&As on the Long-term Equity Investment Standard, the Company adjusted the opening retained earnings for 2021 in its 2021 financial statements using the retrospective adjustment method. The Company restated the prior year comparative information in these financial statements due to the differences between the data in the audited financial statements of Nanyue Bank and the unaudited financial information cited by the Company in preparing the 2021 financial statements. In particular, the effect on the opening balance of the capital reserves was a decrease of RMB55,547,014.21.

41. Treasury shares

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share incentive	226,860,000.00		98,079,900.00	128,780,100.00
Total	226,860,000.00		98,079,900.00	128,780,100.00

Explanation: The first batch of the equity incentives implemented by the Company in 2020 were unlocked during the reporting period, with a reduction of RMB85,351,800.00 in treasury shares that fulfilled unlocking conditions and a reduction of RMB12,728,100.00 in treasury shares that did not fulfil unlocking conditions and subject to repurchase.

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VII. Notes to items of the consolidated financial statements (Continued)

42. Other comprehensive income

Other comprehensive income attributable to the Company in the balance sheet is as follows:

Unit: RMB

Item	Opening balance	During the period		Closing balance
		Attributable to the parent company after tax	Less: Transferred from other comprehensive income in prior periods to retained earnings during the period	
I. Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods				
II. Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-445,582,729.36	-376,357,965.21		-821,940,694.57
1. Other comprehensive income that may be reclassified to profit and loss under the equity method	-10,512,532.56	596,429.87		-9,916,102.69
2. Translation differences of financial statements denominated in foreign currency	-435,070,196.80	-376,954,395.08		-812,024,591.88
Total other comprehensive income	-445,582,729.36	-376,357,965.21		-821,940,694.57

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VII. Notes to items of the consolidated financial statements (Continued)

42. Other comprehensive income (Continued)

Other comprehensive income attributable to the parent company in the income statement:

Unit: RMB

Item	Incurred before income tax for the period	During the period		Less: Attributable to minority shareholders after tax	Attributable to parent company after tax
		Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Less: Income tax expenses		
I. Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods					
II. Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-376,357,965.21				-376,357,965.21
1. Other comprehensive income that may be reclassified to profit and loss under the equity method	596,429.87				596,429.87
2. Translation differences of financial statements denominated in foreign currency	-376,954,395.08				-376,954,395.08
Total other comprehensive income	-376,357,965.21				-376,357,965.21

43. Special reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Production safety expenses		29,147,795.17	13,356,084.22	15,791,710.95
Total		29,147,795.17	13,356,084.22	15,791,710.95

44. Surplus reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserves	1,212,009,109.97			1,212,009,109.97
Total	1,212,009,109.97			1,212,009,109.97

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VII. Notes to items of the consolidated financial statements (Continued)

45. General risk provisions

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
General risk provisions	76,825,918.60	3,074,350.11		79,900,268.71
Total	76,825,918.60	3,074,350.11		79,900,268.71

46. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	9,294,126,706.86	9,999,764,028.74
Adjustment to opening balance of retained earnings (increase +, decrease -)		-1,803,277,670.52
Opening balance of retained profit after adjustment	9,294,126,706.86	8,196,486,358.22
Plus: Net profit for the period attributable to shareholders of the parent company	189,290,120.82	2,065,513,108.71
Less: Transfer of statutory surplus reserves		
Transfer of discretionary surplus reserves		
Transfer of general risk provisions	3,074,350.11	2,703,274.40
Ordinary dividend payable		552,078,517.01
Perpetual Bonds interest payable	89,700,000.00	89,700,000.00
Preference shares interest payable		323,390,968.66
Retained profit as at the end of the period	9,390,642,477.57	9,294,126,706.86

Note: The reason for a decrease in the opening retained earnings of RMB1,803,277,670.52 for the prior period is: Guangdong Nanyue Bank Co., Ltd. ("Nanyue Bank"), an associate of the Company, implemented the new financial instrument standard since 2021. The Company made retrospective adjustment based on the change of the accounting policy of Nanyue Bank due to the implementation of the new financial instrument standard. In accordance with the fifth batch of Q&As on the 2021 ASBEs issued by the Accounting Department of the Ministry of Finance (I) Q&As on the Long-term Equity Investment Standard, the Company adjusted the opening retained earnings for 2021 in its 2021 financial statements using the retrospective adjustment method. The Company restated the prior year comparative information in these financial statements due to the differences between the data in the audited financial statements of Nanyue Bank and the unaudited financial information cited by the Company in preparing the 2021 financial statements.

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VII. Notes to items of the consolidated financial statements (Continued)

47. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	31,425,116,857.83	26,878,943,649.28	31,933,583,202.54	24,460,067,257.53
Other activities	579,250,463.08	494,782,057.72	1,086,229,091.60	762,208,537.75
Total	32,004,367,320.91	27,373,725,707.00	33,019,812,294.14	25,222,275,795.28

Whether the lower of the audited net profit before or after deducting extraordinary gains or losses is a negative number

Yes No

Unit: RMB

Item	Current year	Specific deductions	Prior year	Specific deductions
Revenue	32,004,367,320.91	Revenue from sales of materials of RMB903,160,256.93 and other revenue of RMB127,610,203.33	33,019,812,294.14	Revenue from sales of materials of RMB1,649,930,017.77 and other revenue of RMB553,971,864.43.
Total deductions from revenue	1,030,770,460.26		2,203,901,882.20	
Proportion of total deductions from revenue to revenue	3.22%		6.67%	
I. Revenue from operations not related to principal operations				
1. Revenue from operations other than normal operation, such as revenue realised from leasing fixed assets, intangible assets, packaging materials, sales of materials, exchanges for non-monetary assets with materials, engaging in entrusted management business, and revenue included in revenue from principal operations but generated from operations other than normal operation of the Company.	1,030,770,460.26	Revenue from sales of materials of RMB903,160,256.93 and other revenue of RMB127,610,203.33.	2,203,901,882.20	Revenue from sales of materials of RMB1,649,930,017.77 and other revenue of RMB553,971,864.43.
Subtotal of revenue from operations not related to principal operations	1,030,770,460.26	Revenue from sales of materials of RMB903,160,256.93 and other revenue of RMB127,610,203.33.	2,203,901,882.20	Revenue from sales of materials of RMB1,649,930,017.77 and other revenue of RMB553,971,864.43.
II. Commercially non-substantial revenue				
III. Sub-total of other revenue from operations not related to principal operations and commercially non-substantial revenue				
Revenue after deductions	30,973,596,860.65	Revenue from sales of materials of RMB903,160,256.93 and other revenue of RMB127,610,203.33.	30,815,910,411.94	Revenue from sales of materials of RMB1,649,930,017.77 and other revenue of RMB553,971,864.43.

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VII. Notes to items of the consolidated financial statements (Continued)

47. Revenue and operating costs (Continued)

Information related to revenue:

Unit: RMB

Category of contract	Machine-made paper segment	Financial services	Hotel and property rentals	Others	Total
Type of goods	30,831,898,263.47	209,378,132.90	252,786,565.21	710,304,359.33	32,004,367,320.91
Including:					
Machine-made paper	28,398,850,766.51				28,398,850,766.51
Chemical pulp	1,043,284,411.27				1,043,284,411.27
Processing of moulds				308,596,084.40	308,596,084.40
Electricity and steam	288,447,315.51				288,447,315.51
Construction materials				265,496,913.56	265,496,913.56
Hotel and property rentals			238,020,274.82		238,020,274.82
Paper chemicals	169,232,476.00				169,232,476.00
Others	932,083,294.18	209,378,132.90	14,766,290.39	136,211,361.37	1,292,439,078.84
By geographical area	30,831,898,263.47	209,378,132.90	252,786,565.21	710,304,359.33	32,004,367,320.91
Including:					
Mainland China	22,687,782,292.47	209,378,132.90	252,786,565.21	710,304,359.33	23,860,251,349.91
Other countries and regions	8,144,115,971.00				8,144,115,971.00
By the timing of delivery	30,831,898,263.47	209,378,132.90	252,786,565.21	710,304,359.33	32,004,367,320.91
Including:					
Goods (at a point in time)	30,535,615,186.37	2,924,528.29	14,656,198.65	710,177,248.91	31,263,373,162.22
Services (within a certain period)	296,283,077.10	206,453,604.61	238,130,366.56	127,110.42	740,994,158.69

Breakdown of revenue from principal activities

① By industry

Unit: RMB

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Machine-made paper	28,398,850,766.51	24,448,024,979.32	28,822,796,809.32	22,046,779,363.89
Chemical pulp	1,043,284,411.27	816,562,733.50	248,980,922.18	191,806,552.77
Processing of moulds	308,596,084.40	277,645,763.64	429,452,007.72	357,366,098.62
Electricity and steam	288,447,315.51	270,073,907.31	303,940,594.69	260,019,123.96
Construction materials	265,496,913.56	228,492,849.08	349,945,005.51	315,912,453.93
Hotel and property rentals	238,020,274.82	213,632,078.62	148,941,357.80	124,619,857.81
Paper chemicals	169,232,476.00	146,042,699.79	131,104,964.35	117,040,239.12
Others	713,188,615.76	478,468,638.02	1,498,421,540.97	1,046,523,567.43
Total	31,425,116,857.83	26,878,943,649.28	31,933,583,202.54	24,460,067,257.53

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VII. Notes to items of the consolidated financial statements (Continued)

47. Revenue and operating costs (Continued)

② Machine-made paper, by main product type

Unit: RMB

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
White paper board	9,061,724,789.41	7,826,962,810.39	9,579,581,625.05	6,540,978,628.51
Duplex press paper	8,449,759,248.92	7,407,821,676.66	7,287,152,353.07	6,004,341,245.63
Coated paper	4,149,820,827.47	3,457,680,224.04	4,310,744,513.87	3,130,491,004.15
Electrostatic paper	4,077,351,284.38	3,497,341,216.24	3,857,097,045.49	3,140,962,690.62
Anti-sticking raw paper	973,542,096.46	791,528,667.30	1,168,436,835.30	872,987,808.22
Thermal paper	582,687,847.45	489,261,009.24	540,941,351.36	475,188,142.15
Others	1,103,964,672.42	977,429,375.45	2,078,843,085.18	1,881,829,844.61
Total	28,398,850,766.51	24,448,024,979.32	28,822,796,809.32	22,046,779,363.89

③ Machine-made paper, by geographical segment

Unit: RMB

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Mainland China	20,254,734,795.51	17,354,744,592.14	24,696,996,168.38	18,348,851,562.98
Other countries and regions	8,144,115,971.00	7,093,280,387.18	4,125,800,640.94	3,697,927,800.91
Total	28,398,850,766.51	24,448,024,979.32	28,822,796,809.32	22,046,779,363.89

④ Revenue from top 5 customers

Unit: RMB

Period	Total revenue from top 5 customers	Percentage of the total revenue in the same period (%)
2022	6,798,742,733.13	21.24%
2021	5,259,350,805.45	15.93%

Information related to the transaction price allocated to residual performance obligations:

At the end of the reporting period, the amount of revenue with signed contracts but unfulfilled or uncompleted performance obligation was RMB656,446,008.11, which was expected to be recognised in 2023.

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VII. Notes to items of the consolidated financial statements (Continued)

48. Taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Property tax	84,937,624.08	77,555,756.03
Stamp duty	50,855,100.84	35,545,109.19
Urban maintenance and construction tax	30,844,441.65	46,766,679.96
Land use tax	21,896,525.68	40,855,126.39
Educational surcharges	13,065,472.17	20,195,996.39
Resource tax	12,151,246.70	22,892,129.80
Local education surcharges	9,672,799.88	13,463,933.81
Water conservation funds	941,851.21	697,713.50
Vehicle and vessel tax	100,147.53	142,969.16
Land appreciation tax	27,432.00	9,175,506.88
Others	18,646,673.32	17,165,291.20
Total	243,139,315.06	284,456,212.31

49. Sales and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	120,855,156.29	140,614,560.41
Business hospitality expenses	55,312,453.05	59,259,329.16
Travel expenses	21,514,621.65	21,203,755.03
Selling commissions	11,571,414.61	11,490,724.59
Depreciation expenses	6,524,594.65	11,299,358.22
Rental expenses	6,048,188.50	8,941,037.14
Office expenses	2,465,867.66	2,318,832.06
Warehouse expenses	669,554.18	555,915.72
Others	17,219,423.50	37,826,180.18
Total	242,181,274.09	293,509,692.51

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VII. Notes to items of the consolidated financial statements (Continued)

50. General and administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	230,961,622.37	287,370,208.75
Depreciation expenses	92,141,979.66	104,079,387.00
Business hospitality expenses	90,219,924.17	75,588,054.15
Welfare expenses	60,931,519.54	67,401,266.74
Amortisation of intangible assets and long-term expenses	50,808,836.96	47,623,471.69
Termination benefits expenses	26,059,173.11	47,005.00
Repair cost and consumption of materials	24,983,894.65	29,577,039.42
Legal costs	24,306,211.03	14,331,466.88
Intermediary service expenses	21,436,369.47	9,822,504.05
Insurance premium	17,343,722.19	21,399,854.79
Travel expenses	10,066,215.41	14,082,788.42
Office expenses	6,827,412.53	6,016,174.24
Audit fees	5,628,798.62	5,211,323.99
Production interruption loss		153,841,164.26
Others	88,831,023.63	105,969,026.16
Total	750,546,703.34	942,360,735.54

Note: Audit fees include audit fees for annual financial statements and internal control reports of the Company, and other fees for audit matters of the Company occurring during the reporting period.

51. Research and development expense

Unit: RMB

Item	Amount for the period	Amount for the prior period
Consumption of materials	872,932,892.44	1,008,124,599.58
Utilities	181,428,197.66	194,161,253.86
Wages and surcharges	146,671,151.98	155,808,154.72
Depreciation expenses	45,016,402.19	53,538,054.01
Insurance premium	28,028,216.33	29,407,238.86
Housing provident funds	4,848,051.84	5,375,717.76
Welfare expenses	4,448,785.76	2,838,027.33
Union funds	1,159,873.86	1,601,052.82
Installation expenses	940,252.78	1,423,823.71
Travel expenses	27,693.31	17,449.73
Other expenses	4,780,021.95	1,470,999.08
Total	1,290,281,540.10	1,453,766,371.46

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VII. Notes to items of the consolidated financial statements (Continued)

52. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	2,081,067,895.66	2,348,200,417.05
Less: Capitalised interest amount		
Interest income	309,987,478.19	287,289,410.33
Foreign exchange gains and losses	46,654,427.89	-9,455,468.81
Less: Capitalisation of foreign exchange gains and losses		
Bank charges and others	328,821,303.70	336,015,748.55
Total	2,146,556,149.06	2,387,471,286.46

53. Other income

Unit: RMB

Source of other income	Amount for the period	Amount for the prior period
Government grants – directly included in profit or loss	136,741,599.83	115,896,575.43
Government grants – amortised deferred income included in profit or loss	104,451,215.79	104,704,060.06
Gain on debt restructuring	1,030,353.24	
Total	242,223,168.86	220,600,635.49

54. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Dividend on financial assets held for trading and other non-current financial assets	38,224,826.21	19,557,976.67
Income from long-term equity investments accounted for using the equity method	24,116,757.95	31,476,499.83
Investment gain on debt restructuring	-62,888.33	24,593,731.72
Investment gain on disposal of long-term equity investments	-856,627.60	112,907,083.05
Investment gain on derecognition of financial assets	-137,464,855.58	-258,113,630.19
Total	-76,042,787.35	-69,578,338.92

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VII. Notes to items of the consolidated financial statements (Continued)

55. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Gain on change in fair value of consumable biological assets measured at fair value	9,924,233.72	-41,899.05
Other non-current financial assets	5,350,000.00	1,600,000.00
Financial assets held for trading	-40,528,162.53	-78,631,913.62
Total	-25,253,928.81	-77,073,812.67

56. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of other receivables	54,677,374.62	-33,623,255.14
Bad debt loss of accounts receivable	-38,857,265.91	20,880,443.83
Bad debt loss of financial lease payments	-101,897,077.27	-239,469,507.89
Others		-16,523,042.11
Total	-86,076,968.56	-268,735,361.31

57. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
Loss on inventory impairment	-17,659,966.20	-11,285,890.45
Total	-17,659,966.20	-11,285,890.45

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VII. Notes to items of the consolidated financial statements (Continued)

58. Asset disposal income

Unit: RMB

Source of asset disposal income	Amount for the period	Amount for the prior period
Gain on disposal of intangible assets (“-” denotes loss)	106,837,281.47	42,184,387.73
Gain on disposal of fixed assets (“-” denotes loss)	54,255,232.29	9,375,163.93
Total	161,092,513.76	51,559,551.66

59. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amount included in extraordinary gains or losses for the period
Government grants	73,741,500.00	42,486,362.10	73,741,500.00
Fine income	2,334,679.24	5,723,762.72	2,334,679.24
Exempted debts	94,894.96	12,729,703.07	94,894.96
Gain on damage and retirement of non-current assets	82,413.79	1,035,196.66	82,413.79
Others	995,197.77	9,719,362.26	995,197.77
Total	77,248,685.76	71,694,386.81	77,248,685.76

Government grants included in profit or loss for the period:

Unit: RMB

Item	Amount for the period	Amount for the prior period	Asset-related/ income-related
Grant income	73,741,500.00	42,486,362.10	Income-related
Total	73,741,500.00	42,486,362.10	

(1) For details of government grant, please see Note VII. 67.

(2) For the specific reason for government grants as recurring profit or loss, please refer to Note XVIII.1.

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VII. Notes to items of the consolidated financial statements (Continued)

60. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Included in non-recurring profit or loss in the period
Trading of carbon emission quota	23,662,741.81	42,396,793.42	23,662,741.81
Litigation	16,348,160.25		16,348,160.25
Loss on damage and retirement of non-current assets	10,382,099.66	3,338,528.87	10,382,099.66
Donation	805,000.00	1,142,550.00	805,000.00
Others		95,188.91	
Total	51,198,001.72	46,973,061.20	51,198,001.72

61. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Current income tax calculated according to tax law and related regulations	90,855,030.56	185,879,510.90
Deferred income tax expenses	-225,948,373.97	30,616,777.64
Total	-135,093,343.41	216,496,288.54

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VII. Notes to items of the consolidated financial statements (Continued)

61. Income tax expenses (Continued)

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the period
Total profit	182,269,348.00
Income tax expenses calculated at statutory (or applicable) tax rates	27,340,402.20
Effect of different tax rates applicable to certain subsidiaries	127,578,481.49
Adjustments to income tax for prior periods	22,095,145.12
Profit and loss of joint ventures and associates accounted for using the equity method	-739,743.25
Income not subject to tax (listed with “-”)	-99,806,424.77
Non-deductible costs, expenses and losses	16,981,499.31
Tax effect of utilisation of unrecognised deductible losses and deductible temporary differences in the previous year (listed with “-”)	-45,056,645.61
Tax effect of utilisation of unrecognised deductible losses and deductible temporary differences	60,076,736.82
Tax effect of R&D fee deduction (listed with “-”)	-129,166,798.89
The pre-tax deduction of the interest on Perpetual Bonds accounted as equity	-13,455,000.00
Tax incentives such as equipment credits	-100,940,995.83
Income tax expense	-135,093,343.41

62. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Open credit and other income	745,295,349.96	579,416,906.77
Finance expenses – Interest income	305,772,280.83	276,274,390.31
Government grants actually received	202,165,244.17	199,176,622.64
Net proceedings from the financial leasing business	184,749,056.18	1,153,242,827.87
Default penalty and fine	969,634.65	11,844,722.79
Total	1,438,951,565.79	2,219,955,470.38

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VII. Notes to items of the consolidated financial statements (Continued)

62. Items on statements of cash flow (Continued)

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Transportation expenses	944,022,266.88	961,442,438.95
Litigation	368,296,784.84	0.00
Net investment in factoring business	250,000,000.00	737,000,000.00
Financial institutions charge	241,125,513.70	210,288,974.16
Business hospitality expenses	117,853,387.22	106,007,628.02
Intermediary service expenses	54,437,645.94	39,555,241.62
Travel expenses	32,480,740.17	35,150,617.24
Repair expenses	23,053,205.98	33,427,722.45
Cargo handling charges	21,869,006.27	30,088,978.09
Waste disposal expenses	15,891,052.20	20,081,650.19
Insurance premium	15,288,347.78	22,171,792.20
Leasing expenses	12,038,349.86	17,039,644.42
Office expenses	10,681,717.81	28,618,557.15
Others	186,617,859.65	167,760,474.48
Total	2,293,655,878.30	2,408,633,718.97

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Recovery of consideration for equity transfer		493,655,373.48
Net cash received from subsidiaries		44,674.62
Total		493,700,048.10

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Payment for acquisition of companies		127,500,000.00
Total		127,500,000.00

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VII. Notes to items of the consolidated financial statements (Continued)

62. Items on statements of cash flow (Continued)

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Equipment leaseback	3,684,590,394.82	2,071,358,708.00
Deposit for finance lease	34,500,000.00	60,000,000.00
Short-term commercial paper and others		200,000,000.00
Net recovery of guarantee deposit		2,286,599,788.67
Contributions by other partners		190,790,000.00
Total	3,719,090,394.82	4,808,748,496.67

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of equipment leaseback	2,237,763,312.31	2,252,587,404.38
Repayment of short-term commercial paper and MTN	1,200,000,000.00	2,745,000,000.00
Repayment of bonds	1,078,685,100.00	90,000,000.00
Net expense of guarantee deposit	919,816,742.13	
Payment of Perpetual Bonds interest	89,700,000.00	89,700,000.00
Security deposit for financial leasing	76,000,000.00	96,696,696.64
Payment for equity in China Development Bank funds	75,500,000.00	29,500,000.00
Share repurchase under the share incentive scheme	11,757,730.78	
Redemption of preference shares		4,500,000,000.00
Payment of preference shares dividend		323,390,968.66
Acquisition of non-controlling interests		300,000,000.00
Total	5,689,222,885.22	10,426,875,069.68

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VII. Notes to items of the consolidated financial statements (Continued)

63. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	317,362,691.41	2,089,684,021.45
Plus: Provision for impairment of assets	103,736,934.76	280,021,251.76
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of bearer biological assets	2,255,505,392.35	2,366,091,653.76
Depreciation of right-of-use assets	7,737,284.20	7,972,781.72
Amortisation of intangible assets	54,698,978.50	51,351,628.42
Amortisation of long-term prepaid expenses	4,678,921.69	3,964,046.48
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-161,092,513.76	-51,559,551.66
Loss on scrapped fixed assets (“-” denotes gain)	10,299,685.87	2,303,332.21
Loss on changes in fair value (“-” denotes gain)	25,253,928.81	77,073,812.67
Finance expenses (“-” denotes gain)	2,081,067,895.66	2,348,200,417.05
Investment loss (“-” denotes gain)	76,042,787.35	69,578,338.92
Decrease in deferred income tax assets (“-” denotes increase)	-220,919,108.82	-30,616,777.64
Increase in deferred income tax liabilities (“-” denotes decrease)	-5,029,265.45	6,637,993.77
Decrease in inventories (“-” denotes increase)	-406,337,116.14	-156,406,209.61
Decrease in operating receivables (“-” denotes increase)	332,267,872.35	3,208,289,966.45
Increase in operating payables (“-” denotes decrease)	-1,025,450,126.41	-1,690,698,513.11
Others		
Net cash flows from operating activities	3,449,824,242.37	8,581,888,192.64
2. Major investing and financing activities not involving cash settlements:		
Capital converted from debts		
Convertible bonds of the Company due within one year		
Finance leases of fixed assets		
3. Net change in cash and cash equivalents:		
Closing balance of cash	2,159,460,149.51	3,168,915,847.02
Less: Opening balance of cash	3,168,915,847.02	4,389,169,963.79
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-1,009,455,697.51	-1,220,254,116.77

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VII. Notes to items of the consolidated financial statements (Continued)

63. Supplementary information on cash flow statement (Continued)

(2) Net Cash of Acquisition Subsidiaries Paid in Current Period

Unit: RMB

	Amount
Cash or cash equivalents paid in the current period for business combinations that occurred during the period:	368,000,000.00
Of which: Shanxi Fuyin Industrial Trading Co., Ltd.	368,000,000.00
Less: Cash and cash equivalents held by the subsidiary on the acquisition date	2,081.22
Of which: Shanxi Fuyin Industrial Trading Co., Ltd.	223.60
Chongmin Culture Development (Shanghai) Co., Ltd.	1,857.62
Plus: Cash or cash equivalents paid in the current period for business combinations that occurred during previous periods	
Of which:	
Net cash paid for acquisition of subsidiaries	367,997,918.78

(3) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	2,159,460,149.51	3,168,915,847.02
Of which: Treasury cash	3,491,219.08	2,926,080.68
Bank deposit that can be used for payment at any time	2,155,968,930.43	3,165,989,766.34
Other monetary funds that can be used for payment at any time		
Deposit at central bank deposit that can be used for payment		
Amount due from banks		
Amount due to banks		
II. Cash equivalents		
Of which: Bond investment with maturity within 3 months		
III. Balance of cash and cash equivalent at end of period	2,159,460,149.51	3,168,915,847.02
Of which: Restricted cash and cash equivalents used by the Company or subsidiaries within the Group		

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VII. Notes to items of the consolidated financial statements (Continued)

64. Notes to items of statements of changes in owners' equity

For the nature of the adjustment to the opening balance for the prior year under the item "Others" and the reason for the adjusted amount, please refer to Note VII. 40 and 46.

65. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	11,840,974,836.57	As bank acceptance bills, deposits for letters of credit, deposits for letters of guarantee, loan deposits, deposit reserves, and interests receivable, etc. (Note VII. 1)
Fixed assets	10,063,641,052.69	As collateral for bank borrowings and long-term payables (Note VII. 14)
Investment property	4,895,514,630.65	As collateral for bank borrowings (Note VII. 13)
Intangible assets	1,033,897,418.27	As collateral for bank borrowings and long-term payables (Note VII. 18)
Accounts receivable	100,000,000.00	As deposits to obtain loans (Note VII. 3)
Accounts receivable financing/bills receivable	8,497,931.30	As collateral for letters of credit (Note VII. 4)
Total	27,942,525,869.48	

Other explanation:

As at 31 December 2022, housing, building structure and equipment with the carrying amount of RMB10,063,641,052.69 (31 December 2021: carrying amount of RMB12,866,125,795.19), investment properties with the carrying amount of RMB4,895,514,630.65 (31 December 2021: carrying amount of RMB5,033,765,366.00) and intangible assets with the carrying amount of RMB1,033,897,418.27 (31 December 2021: carrying amount of RMB1,210,395,050.42) were pledged as collateral for long-term borrowings of RMB3,118,508,092.17 (31 December 2021: RMB3,921,048,883.74) and short-term borrowings of RMB65,000,000.00 (31 December 2021: RMB70,000,000.00).

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VII. Notes to items of the consolidated financial statements (Continued)

66. Foreign currency items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			
Of which: USD	94,101,812.26	6.9646	655,381,481.67
EUR	10,574,902.80	7.4229	78,496,445.99
HKD	1,127,396.51	0.8933	1,007,103.30
GBP	1,631.58	8.3941	13,695.65
JPY	1,197.00	0.0524	62.72
Accounts receivable			
Of which: USD	32,658,569.02	6.9646	227,453,869.80
EUR	9,289,176.64	7.4229	68,952,629.28
JPY	146,734,998.00	0.0524	7,688,913.90
Other receivables			
Of which: USD	8,727.39	6.9646	60,782.78
Accounts payable			
Of which: USD	133,923,367.50	6.9646	932,722,685.29
EUR	1,954,737.99	7.4229	14,509,824.63
Other payables			
Of which: USD	801,010.52	6.9646	5,578,717.87
EUR	1,487,870.92	7.4229	11,044,317.05
Short-term borrowings			
Of which: USD	51,212,401.04	6.9646	356,673,888.28
EUR	23,546,000.00	7.4229	174,779,603.40
Long-term borrowings			
Of which: USD	1,589,708.50	6.9646	11,071,683.82

VII. Notes to items of the consolidated financial statements *(Continued)*

66. Foreign currency items *(Continued)*

- (2) Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal places of business, functional currency and basis. Reasons shall be disclosed if there is any change in the functional currency.

Applicable Not applicable

No.	Name of subsidiary	Principal place of business	Place of incorporation	Functional currency
1	Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
2	Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	KRW
3	Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
4	Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
5	Chenming Paper United States Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
6	Chenming (Overseas) Limited	Hong Kong, China	Hong Kong, China	USD
7	Chenming (Singapore) Limited	Singapore	Singapore	USD
8	Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD

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VII. Notes to items of the consolidated financial statements (Continued)

67. Government grants

General information of government grants

Unit: RMB

Type	Amount	Reporting item	Amount included in the current profit and loss
Special subsidy from the Bureau of Finance	73,730,000.00	Non-operating income	73,730,000.00
Enterprise reform and development subsidies	66,394,161.00	Other income	66,394,161.00
Financial subsidies for technological transformation project	52,395,702.39	Other income	52,395,702.39
Funding for environmental protection	50,592,141.88	Other income	50,592,141.88
Huanggang forestry-pulp-paper project	25,026,217.80	Other income	25,026,217.80
Sewage treatment and water conservation transformation project	11,778,260.39	Other income	11,778,260.39
Immediate VAT refund	8,346,328.57	Other income	8,346,328.57
Government rewards	4,704,600.00	Other income	4,704,600.00
Zhanjiang forestry-pulp-paper project	4,094,632.92	Other income	4,094,632.92
Refund of tax	4,052,553.33	Other income	4,052,553.33
Employment stabilisation subsidies	3,012,954.63	Other income	3,012,954.63
Afforestation subsidy	2,695,823.49	Other income	2,695,823.49
One-time job retention subsidies	2,125,800.00	Other income	2,125,800.00
Subsidies for foreign trade projects	1,000,000.00	Other income	1,000,000.00
R&D subsidy	500,000.00	Other income	500,000.00
Project Funding for National Key Technology Research and Development Program	164,700.00	Other income	164,700.00
Subsidies for social insurance	116,915.50	Other income	116,915.50
Others	4,203,523.72	Other income and non-operating income	4,203,523.72
Total	314,934,315.62		314,934,315.62

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VIII. Change in scope of consolidation

During the year, 2 subsidiaries were newly established, namely Jiangxi Chenming Tea Co., Ltd. and Shouguang Meichen Energy Technology Co., Ltd., and 1 subsidiary was deregistered, namely Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd. 2 subsidiaries were acquired not within the definition of business, namely Shanxi Fuyin Industrial Trading Co., Ltd. and Chongmin Culture Development (Shanghai) Co., Ltd.

IX. Interest in other entities

1. Interest in subsidiaries

(1) Constitution of the Group

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang	Zhanjiang	Paper making	For-profit corporation	82.67%		Establishment	0	0
Shouguang Meilun Paper Co., Ltd.	Shouguang	Shouguang	Paper making	For-profit corporation	62.4864%		Establishment	0	0
Jilin Chenming Paper Co., Ltd.	Jilin	Jilin	Paper making	For-profit corporation		100%	Acquisition	0	0
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang	Huanggang	Pulp production	For-profit corporation	70.15%	29.85%	Establishment	0	0
Shandong Chenming Paper Sales Co., Ltd.	Shouguang	Shouguang	Sales of paper product	For-profit corporation	100%		Establishment	0	0
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang	Shouguang	Trading	For-profit corporation	100%		Establishment	0	0
Jiangxi Chenming Supply Chain Management Co., Ltd.	Jiangxi	Jiangxi	Trading	For-profit corporation		70%	Establishment	0	0
Chenming GmbH	Germany	Germany	Paper product trading	For-profit corporation	100%		Establishment	0	0
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang	Shouguang	Machinery manufacturing	For-profit corporation	100%		Establishment	0	0
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang	Shouguang	Printing and packaging	For-profit corporation	100%		Acquisition	0	0
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang	Shouguang	Transportation	For-profit corporation	100%		Establishment	0	0
Jinan Chenming Paper Sales Co., Ltd.	Jinan	Jinan	Investment management/ Paper product trading	For-profit corporation	100%		Establishment	0	0
Huanggang Chenming Arboriculture Development Co., Ltd.	Huanggang	Huanggang	Arboriculture	For-profit corporation	100%		Establishment	0	0
Chenming Arboriculture Co., Ltd.	Wuhan	Wuhan	Arboriculture	For-profit corporation	100%		Establishment	0	0
Chenming Paper Korea Co., Ltd.	Korea	Korea	Paper product trading	For-profit corporation	100%		Establishment	0	0

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IX. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding			Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect				
Shouguang Shun Da Customs Declaration Co, Ltd.	Shouguang	Shouguang	Customs declaration	For-profit corporation	100%		Establishment	0	0	
Shanghai Chenming Industry Co., Ltd.	Shanghai	Shanghai	Property investment and management	For-profit corporation		100%	Establishment	0	0	
Shanghai Chenyin Trading Co., Ltd.	Shanghai	Shanghai	Trading	For-profit corporation		51%	Establishment	0	0	
Shandong Chenming Group Finance Co., Ltd.	Jinan	Jinan	Finance	For-profit corporation	80%	20%	Establishment	0	0	
Jiangxi Chenming Paper Co., Ltd.	Nanchang	Nanchang	Paper making	For-profit corporation		100%	Establishment	0	0	
Nanchang Shengheng Trading Co., Ltd.	Nanchang	Nanchang	Trading	For-profit corporation		100%	Establishment	0	0	
Nanchang Kunheng Trading Co., Ltd.	Nanchang	Nanchang	Trading	For-profit corporation		100%	Establishment	0	0	
Shouguang Chenming Art Paper Co., Ltd.	Shouguang	Shouguang	Paper making	For-profit corporation	75%		Establishment	0	0	
Hailaer Chenming Paper Co., Ltd.	Hailaer	Hailaer	Paper making	For-profit corporation	75%		Establishment	0	0	
Shandong Grand View Hotel Co., Ltd.	Shouguang	Shouguang	Catering	For-profit corporation	70%		Establishment	0	0	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd	Wuhan	Wuhan	Paper making	For-profit corporation	65.205%	34.64%	Establishment	0	0	
Shandong Chenming Financial Leasing Co., Ltd.	Jinan	Jinan	Financial leasing	For-profit corporation		100%	Establishment	0	0	
Qingdao Chenming Nonghai Financial Leasing Co., Ltd	Qingdao	Qingdao	Financial leasing	For-profit corporation		100%	Establishment	0	0	
Chenming (HK) Limited	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100%	Establishment	0	0	
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang	Shouguang	Packaging	For-profit corporation		100%	Merger and acquisition	0	0	
Shouguang Xinyuan Coal Co., Ltd.	Shouguang	Shouguang	Coal	For-profit corporation		100%	Merger and acquisition	0	0	
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang	Shouguang	Purchase and sale of waste	For-profit corporation		100%	Merger and acquisition	0	0	
Shouguang Wei Yuan Logistics Company Limited	Shouguang	Shouguang	Logistics	For-profit corporation		100%	Merger and acquisition	0	0	

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IX. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding			Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect				
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan	Wuhan	Thermal power	For-profit corporation		51%	Establishment	0	0	
Shandong Chenming Investment	Jinan	Jinan	Investment	For-profit corporation		100%	Establishment	0	0	
Chenming Paper Japan Co., Ltd.	Japan	Japan	Paper product trading	For-profit corporation		100%	Establishment	0	0	
Chenming International Co., Ltd.	the United States	the United States	Paper product trading	For-profit corporation		100%	Establishment	0	0	
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Zhanjiang	Zhanjiang	Arboriculture	For-profit corporation		100%	Establishment	0	0	
Yangjiang Chenming Arboriculture Development Co., Ltd.	Yangjiang	Yangjiang	Arboriculture	For-profit corporation		100%	Establishment	0	0	
Nanchang Chenming Arboriculture Development Co., Ltd.	Nanchang	Nanchang	Arboriculture	For-profit corporation		100%	Establishment	0	0	
Guangdong Huirui Investment Co., Ltd.	Zhanjiang	Zhanjiang	Investment	For-profit corporation		100%	Establishment	0	0	
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin	Jilin	Wall materials	For-profit corporation		100%	Establishment	0	0	
Jilin Chenming Logistics Co., Ltd.	Jilin	Jilin	Logistics	For-profit corporation		100%	Establishment	0	0	
Jiangxi Chenming Logistics Co., Ltd.	Nanchang	Nanchang	Logistics	For-profit corporation		100%	Establishment	0	0	
Fuyu Chenming Paper Co., Ltd.	Fuyu	Fuyu	Paper making	For-profit corporation		100%	Establishment	0	0	
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang	Zhanjiang	Paper making	For-profit corporation		100%	Establishment	0	0	
Shanghai Chenming Financial Leasing Co., Ltd.	Shanghai	Shanghai	Financial leasing	For-profit corporation		100%	Establishment	0	0	
Wuhan Junheng Property Management Co. Ltd.	Wuhan	Wuhan	Property	For-profit corporation		100%	Merger and acquisition	0	0	
Guangzhou Chenming Financial Leasing Co., Ltd.	Guangzhou	Guangzhou	Financial leasing	For-profit corporation		100%	Establishment	0	0	
Shanghai Hongtai Real Estate Co., Ltd.	Shanghai	Shanghai	Real estate	For-profit corporation		100%	Merger and acquisition	0	0	
Shanghai Hongtai Property Management Co., Ltd.	Shanghai	Shanghai	Property	For-profit corporation		100%	Merger and acquisition	0	0	

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IX. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding			Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect				
Shandong Chenming Commercial Factoring Co., Ltd	Jinan	Jinan	Business factoring	For-profit corporation	100%		Establishment	0	0	
Guangzhou Chenming Commercial Factoring Co., Ltd.	Guangzhou	Guangzhou	Business factoring	For-profit corporation		51%	Establishment	0	0	
Jiangxi Chenming Tea Co., Ltd.	Jiangxi	Jiangxi	Tea business	For-profit corporation		100%	Establishment	0	0	
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang	Zhanjiang	Port services	For-profit corporation		100%	Establishment	0	0	
Beijing Chenming Financial Leasing Co., Ltd.	Beijing	Beijing	Financial leasing	For-profit corporation		100%	Establishment	0	0	
Chenming Paper United States Co., Ltd.	the United States	the United States	Paper product trading	For-profit corporation	100%		Establishment	0	0	
Guangdong Chenming Panels Co., Ltd.	Guangdong	Guangdong	Panels	For-profit corporation		100%	Establishment	0	0	
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	Shanghai	Shanghai	Paper product trading	For-profit corporation		100%	Establishment	0	0	
Meilun (BV) Limited	Cayman	Cayman	Commerce	For-profit corporation		100%	Establishment	0	0	
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Fund	For-profit corporation	79%		Establishment	0	0	
Nanjing Chenming Culture Communication Co., Ltd.	Nanjing	Nanjing	Marketing	For-profit corporation		100%	Establishment	0	0	
Chenming (Overseas) Limited	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100%	Establishment	0	0	
Chenming (Singapore) Limited	Singapore	Singapore	Paper product trading	For-profit corporation		100%	Establishment	0	0	
Kunshan Tuoan Plastic Products Co., Ltd.	Kunshan	Kunshan	Rubber and plastic	For-profit corporation		100%	Merger and acquisition	0	0	
Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)	Huanggang	Huanggang	Fund	For-profit corporation		59.97%	Establishment	0	0	
Hainan Chenming Technology Co., Ltd.	Haikou	Haikou	Wholesale and retail	For-profit corporation		100%	Establishment	0	0	

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IX. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding			Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect				
Foshan Chenming Import and Export Trade Co., Ltd.	Foshan	Foshan	Trading	For-profit corporation	100%		Establishment	0	0	
Shanghai Herui Investment Co., Ltd.	Shanghai	Shanghai	Business services	For-profit corporation		100%	Merger and acquisition	0	0	
Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.	Huanggang	Huanggang	Capital market services	For-profit corporation		60%	Establishment	0	0	
Shandong Dingkun Asset Management Partnership (Limited Partnership)	Shouguang	Shouguang	Business services	For-profit corporation		100%	Establishment	0	0	
Huanggang Chenming Paper Technology Co., Ltd.	Huanggang	Huanggang	Paper making	For-profit corporation		100%	Establishment	0	0	
Huanggang Chenming Port Co., Ltd.	Huanggang	Huanggang	Port services	For-profit corporation		51%	Establishment	0	0	
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	Huanggang	Huanggang	Trading	For-profit corporation		100%	Establishment	0	0	
Weifang Chendu Equity Investment Partnership (Limited Partnership)	Shouguang	Shouguang	Capital market services	For-profit corporation	79.75%		Establishment	0	0	
Shanxi Fuyin Industrial Trading Co., Ltd.	Taiyuan	Taiyuan	Wholesale and retail	For-profit corporation		100%	Acquisition	0	0	
Chongmin Culture Development (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing and business services	For-profit corporation		100%	Acquisition	0	0	
Shouguang Meichen Energy Technology Co., Ltd.	Shouguang	Shouguang	Electricity	For-profit corporation		100%	Establishment	0	0	

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority interest	Gain or loss attributable to minority interest during the period	Dividend to minority interest declared during the period	Closing balance of minority interest
Shouguang Chenming Art Paper Co., Ltd.	25.00%	2,558,964.73		97,853,155.20
Shouguang Meilun Paper Co., Ltd.	37.5136%	144,054,427.69	207,029,589.03	2,496,523,309.62
Zhanjiang Chenming Pulp & Paper Co., Ltd.	17.33%	3,406,584.20	31,895,890.42	1,514,063,354.36

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IX. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

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

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shouguang Chenming Art Paper Co., Ltd.	592,821,595.68	455,020,296.41	1,047,841,892.09	656,429,271.34		656,429,271.34	664,927,705.80	499,632,230.38	1,164,559,936.18	783,383,174.36		783,383,174.36
Shouguang Meilun Paper Co., Ltd.	5,271,560,197.74	10,517,781,981.22	15,789,342,178.96	5,706,873,517.18	1,592,276,073.16	7,299,149,590.34	7,009,260,465.11	10,720,374,440.36	17,729,634,905.47	7,685,982,114.28	1,735,946,459.15	9,421,928,573.43
Zhanjiang Chenming Pulp & Paper Co., Ltd.	12,177,003,083.15	13,209,726,474.81	25,386,729,557.96	14,522,121,479.88	1,696,026,289.09	16,218,147,768.97	11,650,935,934.57	12,965,150,000.41	24,616,085,934.98	14,550,859,440.02	1,994,649,794.03	16,545,509,234.05

Unit: RMB

Name of subsidiary	Amount for the period				Amount for the prior period			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shouguang Chenming Art Paper Co., Ltd.	695,350,440.98	10,235,858.93	10,235,858.93	140,865,909.67	689,339,213.30	-13,823,985.26	-13,823,985.26	-437,908,937.70
Shouguang Meilun Paper Co., Ltd.	8,877,750,999.39	384,015,682.06	384,015,682.06	1,662,815,139.80	8,705,143,361.05	244,940,482.34	244,940,482.34	1,502,100,611.93
Zhanjiang Chenming Pulp & Paper Co., Ltd.	12,333,411,837.39	162,214,497.02	162,810,926.89	1,863,903,466.34	13,110,229,643.09	1,093,678,580.62	1,095,525,191.56	2,993,663,137.46

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IX. Interest in other entities *(Continued)*

2. Transaction changing shareholding in but not causing to loss of control over subsidiaries

(1) Changing in shareholding in subsidiaries

The Company previously held 96.26% equity interest in Zhanjiang Chenming Pulp & Paper Co., Ltd. In June 2022, Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) ("Xiamen International Trade ") made a unilateral capital contribution of RMB400 million to Zhanjiang Chenming Pulp & Paper Co., Ltd. ("Zhanjiang Chenming"). Upon completion of the capital increase, its equity interest in Zhanjiang Chenming was 4.40%, and the transaction did not result in the loss of control over Zhanjiang Chenming by the Company. The transaction resulted in an increase in capital reserves of RMB29.6768 million. In July 2022, BOCOM Financial Assets Investment Co., Ltd. and Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership) ("BOCOM Investment and Jiaohui Chenming Fund") made a unilateral capital contribution of RMB1,000 million to Zhanjiang Chenming. Upon completion of the capital increase, its equity interest in Zhanjiang Chenming was 9.92%, and the transaction did not result in the loss of control over Zhanjiang Chenming by the Company. The transaction resulted in an increase in capital reserves of RMB111.4059 million.

(2) Effect of the transactions on minority interest and equity attributable to the owners of the parent company

Unit: RMB

	Capital contribution into Zhanjiang Chenming by Xiamen International Trade	Capital contribution into Zhanjiang Chenming by BOCOM Investment and Jiaohui Chenming Fund
Amount of capital increase	400,000,000.00	1,000,000,000.00
Share of net assets of the Company after the capital increase	7,262,988,678.16	7,323,064,813.76
Share of net assets of the Company before the capital increase	7,233,311,863.47	7,211,658,911.37
Difference	29,676,814.69	111,405,902.39
Of which: Capital reserve adjustment	29,676,814.69	111,405,902.39

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IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint venture and associate	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method for investment in joint ventures or associates
				Direct	Indirect	
I. Joint venture						
Weifang Sime Darby West Port Co., Ltd.	Weifang	Weifang	Port construction	50.00%		Equity method
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Shouguang	Shouguang	Investment	49.57%		Equity method
II. Associate						
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Ningbo	Ningbo	Investment	40.00%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai	Zhuhai	Investment	50.00%		Equity method
Goldtrust Futures Co., Ltd.	Changsha	Changsha	Futures	35.43%		Equity method
Guangdong Nanyue Bank Co., Ltd.	Guangdong	Guangdong	Bank	6.76%		Equity method

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IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates *(Continued)*

(2) Key financial information of major joint ventures

Unit: RMB

	Closing balance/ amount for the period	Opening balance/ amount for the prior period
	Weifang Sime Darby West Port Co., Ltd.	Weifang Sime Darby West Port Co., Ltd.
Current assets	27,197,876.06	21,774,345.85
Of which: Cash and cash equivalents	4,280,737.42	7,054,019.11
Non-current assets	489,392,605.54	507,959,459.20
Total assets	516,590,481.60	529,733,805.05
Current liabilities	24,865,100.48	12,094,403.33
Non-current liabilities	357,300,969.89	377,812,252.49
Total liabilities	382,166,070.37	389,906,655.82
Net assets	134,424,411.23	139,827,149.23
Of which: Minority interest		
Equity interest attributable to owners of the parent company	134,424,411.23	139,827,149.23
Share of net assets based on shareholding	67,212,205.62	69,913,574.62
Adjustments		
Of which: Others		
Unrealised gain or loss arising from intra-group transactions	7,636,365.12	7,457,424.13
Carrying amount of equity investment in joint ventures	74,848,570.73	77,370,998.75
Revenue	64,379,368.80	62,902,209.91
Finance expenses	21,287,196.67	21,543,430.57
Income tax expenses		
Net profit	-5,044,856.04	-9,145,016.34
Total comprehensive income	-5,044,856.04	-9,145,016.34
Dividends received from joint ventures during the period		

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IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates *(Continued)*

(2) Key financial information of major joint ventures *(Continued)*

Unit: RMB

	Closing balance/ amount for the period Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Opening balance/ amount for the prior period Shouguang Jintou Industrial Investment Partnership (Limited Partnership)
Current assets	1,373,114,822.27	
Of which: Cash and cash equivalents	98,300.08	
Non-current assets	992,000,000.00	
Total assets	2,365,114,822.27	
Current liabilities	1,000.00	
Non-current liabilities		
Total liabilities	1,000.00	
Net assets	2,365,113,822.27	
Of which: Minority interest		
Equity interest attributable to owners of the parent company	2,365,113,822.27	
Share of net assets based on shareholding	1,172,372,731.02	
Adjustments		
Of which: Others	1,187,625,930.65	
Unrealised gain or loss arising from intra-group transactions		
Carrying amount of equity investment in joint ventures	2,359,998,661.67	
Revenue		
Finance expenses	2,699.92	
Income tax expenses		
Net profit	-2,699.92	
Total comprehensive income	-2,699.92	
Dividends received from joint ventures during the period		

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IX. Interest in other entities (Continued)

3. Interest in joint arrangements or associates (Continued)

(3) Key financial information of major associates

Unit: RMB

	Closing balance/ amount for the period Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Opening balance/ amount for the prior period Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)
Current assets	4,330,644.90	4,378,938.81
Non-current assets	189,276,814.94	189,276,706.00
Total assets	193,607,459.84	193,655,644.81
Current liabilities	149,740.00	
Non-current liabilities		
Total liabilities	149,740.00	
Net assets	193,457,719.84	193,655,644.81
Of which: Minority interest		
Equity interest attributable to owners of the parent company	193,457,719.84	193,655,644.81
Share of net assets based on shareholding	77,379,992.61	77,459,159.43
Adjustments		
Of which: Goodwill		
Others	119,838,326.16	119,838,326.16
Carrying amount of equity investment in associates	197,218,318.77	197,297,485.59
Fair value of equity investment where publicly quoted prices exist		
Revenue		
Net profit	-197,924.97	-3,131,226.94
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-197,924.97	-3,131,226.94
Dividends received from associates during the period		

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IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates *(Continued)*

(3) Key financial information of major associates *(Continued)*

Unit: RMB

	Closing balance/ amount for the period Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Opening balance/ amount for the prior period Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)
Current assets	42,352,069.89	7,991,295.94
Non-current assets	31,213,708.00	65,956,891.00
Total assets	73,565,777.89	73,948,186.94
Current liabilities	5,000.00	5,000.00
Non-current liabilities		
Total liabilities	5,000.00	5,000.00
Net assets	73,560,777.89	73,943,186.94
Of which: Minority interest		
Equity interest attributable to owners of the parent company	73,560,777.89	73,943,186.94
Share of net assets based on shareholding	36,776,710.91	36,967,896.31
Adjustments		
Of which: Goodwill		
Others		
Carrying amount of equity investment in associates	36,776,710.91	36,967,896.31
Fair value of equity investment where publicly quoted prices exist		
Revenue		
Net profit	-382,409.05	-857,132.26
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-382,409.05	-857,132.26
Dividends received from associates during the period		15,000,000.00

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IX. Interest in other entities (Continued)

3. Interest in joint arrangements or associates (Continued)

(3) Key financial information of major associates (Continued)

Unit: RMB

	Closing balance/ amount for the period Goldtrust Futures Co., Ltd.	Opening balance/ amount for the prior period Goldtrust Futures Co., Ltd.
Current assets	577,035,187.04	537,410,385.00
Non-current assets	297,668,426.77	248,262,317.12
Total assets	874,703,613.81	785,672,702.12
Current liabilities	665,847,237.87	556,373,303.71
Non-current liabilities	33,761,891.27	34,269,041.10
Total liabilities	699,609,129.14	590,642,344.81
Net assets	175,094,484.67	195,030,357.31
Of which: Minority interest		
Equity interest attributable to owners of the parent company	175,094,484.67	195,030,357.31
Share of net assets based on shareholding	62,035,975.92	69,099,255.59
Adjustments		
Of which: Goodwill	104,073,292.25	104,073,292.25
Others	12,279,914.66	12,279,914.66
Carrying amount of equity investment in associates	178,389,182.83	185,452,462.50
Fair value of equity investment where publicly quoted prices exist		
Revenue	47,154,604.43	103,690,500.67
Net profit	-19,368,875.41	-9,202,201.83
Other comprehensive income		
Total comprehensive income	-19,368,875.41	-9,202,201.83
Dividends received from associates during the period		

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IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates *(Continued)*

(3) Key financial information of major associates *(Continued)*

Unit: RMB

	Closing balance/ amount for the period Guangdong Nanyue Bank Co., Ltd.	Opening balance/ amount for the prior period Guangdong Nanyue Bank Co., Ltd.
Current assets	153,109,778,598.66	134,934,115,453.54
Non-current assets	74,753,438,649.12	72,204,594,882.39
Total assets	227,863,217,247.78	207,138,710,335.93
Current liabilities	181,929,537,932.08	164,397,178,593.78
Non-current liabilities	26,407,317,751.35	23,586,782,719.67
Total liabilities	208,336,855,683.43	187,983,961,313.45
Net assets	19,526,361,564.35	19,154,749,022.48
Of which: Minority interest	65,058,817.68	68,522,745.46
Equity interest attributable to owners of the parent company	19,461,302,746.67	19,086,226,277.02
Share of net assets based on shareholding	1,314,611,000.54	1,289,274,585.01
Adjustments		
Of which: Goodwill		
Others		-5,199,696.88
Carrying amount of equity investment in associates	1,314,611,000.54	1,284,074,888.13
Fair value of equity investment where publicly quoted prices exist		
Revenue	2,704,071,331.52	3,263,061,517.88
Net profit	383,800,672.37	367,289,477.13
Other comprehensive income	9,399,591.65	91,344,112.09
Total comprehensive income	393,200,264.02	458,633,589.22
Dividends received from associates during the period		28,000,000.00

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IX. Interest in other entities (Continued)

3. Interest in joint arrangements or associates (Continued)

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

Unit: RMB

	Closing balance/ amount for the period	Opening balance/ amount for the prior period
Joint ventures:		
Total carrying amount of investment	108,688,888.42	21,518,994.58
Total amount of the following items based on shareholding	3,546,106.10	486,060.11
– Net profit	3,546,106.10	486,060.11
– Other comprehensive income		
– Total comprehensive income	3,546,106.10	486,060.11
Associates:		
Total carrying amount of investment	6,482,035.69	7,488,250.59
Total amount of the following items based on shareholding	488,367.55	-610,886.24
– Net profit	488,367.55	-610,886.24
– Other comprehensive income		
– Total comprehensive income	488,367.55	-610,886.24

X. Risk relating to financial instruments

Main financial instruments of the Group include monetary funds, accounts receivable, accounts receivable financing, other receivables, non-current assets due within one year, other current assets, long-term receivables, bills payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities and long-term payables. Details of financial instruments refer to related notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled in a limited extent.

1. Risk management goals and policies

The Company aims to seek the appropriate balance between the risks and benefits in order to mitigate the adverse effects on the Company's financial performance from financial risk. Based on such objectives, the Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and devise corresponding internal control procedures, and to monitor risks faced by the Company. Such risk management policies and internal control systems are reviewed regularly to adapt to changes in market conditions and the Company's activities. The internal audit department of the Company undertakes both regular and ad-hoc reviews of risk management controls and procedures.

X. Risk relating to financial instruments *(Continued)*

1. Risk management goals and policies *(Continued)*

Risks associated with the financial instrument of the Company mainly include credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk).

The board of directors is responsible to plan and establish the Company's risk management structure, make risk management policies and related guidelines, and supervise the implementation of risk management. The Company has already made risk management risks to identify and analyse risks that the Company face. These policies mentioned specific risks, covering market, credit risk and liquidity risk etc. The Company regularly assesses market environment and the operation of the Company changes to determine if to make alteration to risk management policy and systems. The Company's risk management is implemented by Risk Management Committee according to the approval of the board of directors. The Risk Management Committee works closely with other business department of the Company to identify, evaluating and avoiding certain risks. The Company's internal audit department will audit the risk management control and procedures regularly and report the result to audit committee of the Company.

The Company spreads risks through diverse investment and business lines, and through making risk management policy to reduce risks of single industry, specific area and counterpart.

(1) Credit risk

Credit risk refers to risk associated with the default of contract obligation of a transaction counterparty resulting in financial losses to the Company.

The Company manages credit risk based category. Credit risks mainly arose from bank deposit, bills receivable, accounts receivable, other receivables and long-term receivables etc.

The Company's bank deposit mainly deposits in state-owned banks and other large and medium-sized listed banks. The Company anticipated that the bank deposit does not have significant credit risk.

For accounts receivables, other receivables and long-term receivables, the Company set related policies to control exposure of credit risks. The Company evaluates client's credit quality and set related credit period based on the client's financial status, credit records and other factors such as current market situation etc. The Company keeps monitor the client's credit record and for client with deteriorate credit records, the Company will ensure the credit risk is under control in whole by means of written notice of payment collection, shorten or cancel credit period.

The Company's debtor spread over different industry and area. The Company continued to assess the credit evaluation to receivables and purchase credit guarantee insurance if necessary.

The biggest credit risk exposure of the Company is the carrying amount of each financial asset in the balance sheet. The Company did not provide financial guarantee which resulted in credit risks.

The amount of top 5 accounts receivable of the Company accounted for 30.43% (2021: 24.95%) of the Company's total accounts receivables. The amount of top 5 other receivable of the Company accounted for 64.05% (2021: 72.71%) of the Company's total other receivables.

XII Financial Report

X. Risk relating to financial instruments *(Continued)*

1. Risk management goals and policies *(Continued)*

(2) Liquidity risk

Liquidity risk refers to the risks that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, we obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash of the Company was generated from capital and bank and other borrowings. As at 31 December 2022, the Company's unused bank loan credit was RMB42,790.5456 million (31 December 2021: RMB42,832.188 million).

As at the end of the period, the financial assets, financial liabilities and off balance sheet guarantee held by the Company are analysed by their maturity date as below at their remaining undiscounted contractual cash flows (in RMB'0,000):

Item	Closing balance				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets:					
Monetary funds	1,400,043.50				1,400,043.50
Accounts receivable	370,056.08				370,056.08
Accounts receivable financing	92,496.04				92,496.04
Other receivables	219,982.47				219,982.47
Long-term receivables		139,749.85	34,634.23		174,384.08
Other current assets	79,590.39				79,590.39
Non-current assets due within one year	492,071.00				492,071.00
Total financial assets	2,654,239.48	139,749.85	34,634.23		2,828,623.56
Financial liabilities:					
Short-term borrowings	3,638,504.83				3,638,504.83
Bills payable	312,859.58				312,859.58
Accounts payable	411,496.68				411,496.68
Other payables	185,450.80				185,450.80
Non-current liabilities due within one year	487,609.74				487,609.74
Long-term borrowings		102,329.00	181,247.82	114,646.81	398,223.63
Lease liabilities		408.73	1,338.55	5,485.00	7,232.28
Long-term payables		169,345.00	105,959.87	59,653.02	334,957.89
Total financial liabilities and contingent liabilities	5,035,921.63	272,082.73	288,546.24	179,784.83	5,776,335.43

XII Financial Report

X. Risk relating to financial instruments *(Continued)*

1. Risk management goals and policies *(Continued)*

(2) Liquidity risk *(Continued)*

As at the end of the prior year, the financial assets, financial liabilities and off-balance sheet guarantee held by the Company are analysed by their maturity date as below at their remaining undiscounted contractual cash flows (in RMB'0,000):

Item	Balance as at the end of the prior year				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets:					
Monetary funds	1,411,978.29				1,411,978.29
Accounts receivable	310,581.86				310,581.86
Accounts receivable financing	43,545.93				43,545.93
Other receivables	278,992.06				278,992.06
Long-term receivables		201,047.51	13,929.67		214,977.18
Other current assets	124,691.54				124,691.54
Non-current assets due within one year	684,643.44				684,643.44
Total financial assets	2,854,433.12	201,047.51	13,929.67		3,069,410.30
Financial liabilities:					
Short-term borrowings	3,352,302.52				3,352,302.52
Bills payable	308,951.23				308,951.23
Accounts payable	387,113.13				387,113.13
Other payables	148,257.58				148,257.58
Non-current liabilities due within one year	694,976.96				694,976.96
Bonds payable		15,500.00			15,500.00
Long-term borrowings		124,525.02	217,524.54	185,584.46	527,634.02
Long-term payables		119,406.55	107,518.10	22,500.00	249,424.65
Lease liabilities		472.83	1,942.75	5,277.36	7,692.94
Total financial liabilities and contingent liabilities	4,891,601.42	259,904.40	326,985.39	213,361.82	5,691,853.03

The financial liabilities disclosed above are based on cash flows that are not discounted and may differ from the carrying amount of the line items of the balance sheet.

Maximum guarantee amount for signed guarantee contracts does not represent the amount to be paid.

XII Financial Report

X. Risk relating to financial instruments *(Continued)*

1. Risk management goals and policies *(Continued)*

(3) Market risk

Market risk includes interest rate risk and currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the changes in market price.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Company's interest rate risk arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Company continuously monitors the interest rate position of the Company. The Company did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Company's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

Interest bearing financial instrument held by the Company are as follows (in RMB'0,000):

Item	Balance for the year	Balance for the prior year
Financial instrument with fixed interest rate		
Financial liabilities		
Of which: Short-term borrowings	3,638,504.83	3,352,302.52
Long-term borrowings	398,223.63	527,634.02
Bonds payable		15,500.00
Long-term borrowings due within one year	192,074.82	258,373.04
Bonds payable due within one year	35,000.00	127,063.69
Total	4,263,803.28	4,280,873.27
Financial instrument with float interest rate		
Financial assets		
Of which: Monetary funds	215,596.89	316,598.98
Total	215,596.89	316,598.98

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X. Risk relating to financial instruments *(Continued)*

1. Risk management goals and policies *(Continued)*

(3) Market risk *(Continued)*

Interest rate risk *(Continued)*

As at 31 December 2022, if the interest rates of borrowings at floating interest rates increase or decrease by 25 basis points with all other factors remain unchanged, the Company's net profit and shareholders' equity will increase or decrease by RMB105,720,100 (31 December 2021: RMB103,457,700).

The financial instruments held by the Company at the reporting date expose the Company to fair value interest rate risk. This sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Company at the reporting date expose the Company to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the effect to the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for prior year.

Exchange rate risk

Exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will be fluctuated due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The principal business of the Company is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognised by the Company (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Japanese yen, South Korean Won, Euro, Hong Kong dollar and British pound).

The following table details the financial assets and liabilities held by the Company which denominated in foreign currencies and amounted to RMB as at 31 December 2022 are as follows (in RMB'0,000):

Item	Liabilities denominated in foreign currency		Asset denominated in foreign currency	
	Closing balance	Closing balance of the prior year	Closing balance	Closing balance of the prior year
USD	130,604.70	361,192.84	88,289.61	67,590.57
EUR	20,033.37	1,910.41	14,744.91	3,929.49
HKD		4,055.52	100.71	69.89
KRW				7.04
JPY			768.90	812.91
GBP			1.37	
Total	150,638.07	367,158.77	103,905.50	72,409.90

The Group continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks it faces, and for this reason the Group may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts.

XII Financial Report

X. Risk relating to financial instruments *(Continued)*

1. Risk management goals and policies *(Continued)*

(3) Market risk *(Continued)*

Exchange rate risk *(Continued)*

With other variables unchanged, the after-tax effect of the possible reasonable changes in the exchange rate of foreign currency to RMB on the current profit and loss of the Company is as follows (in RMB'0,000):

Increase (decrease) in after-tax profits		Balance for the period		Balance for the prior period
Increase in exchange rate of USD	5%	-2,115.75	5%	-14,680.11
Decrease in exchange rate of USD	-5%	2,115.75	-5%	14,680.11
Increase in exchange rate of Euro	5%	-264.42	5%	100.95
Decrease in exchange rate of Euro	-5%	264.42	-5%	-100.95

Other price risks

Other price risks refer to the risk of fluctuations caused by changes in market prices other than exchange rate risks and interest rate risks, whether arising from factors related to a single financial instrument or its issuer, or from factors related to all similar financial instruments traded on the market. Other price risks can stem from changes in commodity prices, stock market indexes, equity instrument prices, and other risk variables.

Listed equity instrument investments held by the Company classified as financial assets held for trading, other non-current financial assets and other equity instrument investments are measured at fair value on the balance sheet date. Therefore, the Company is subject to the risk of changes in the securities market.

The Company monitors closely the impact of price changes on the price risk of the Company's investment in equity securities. The Company has not taken any measures to avoid other price risks. However, the management is responsible for monitoring other price risks, and will consider holding multiple equity securities portfolios to reduce the price risk of equity securities investment when necessary.

With other variables unchanged, the after-tax effect of the change of -32.63% (last year: -42.52%) in equity securities investment prices on the Company's current profit and loss and other comprehensive income is as follows (unit: RMB'0,000):

Item	Increase (decrease) in after-tax profits		Increase (decrease) in other comprehensive income	
	Balance for the period	Balance for the prior period	Balance for the period	Balance for the prior period
Due to the rise in the price of equity securities investment				
Due to the decline in the price of equity securities investment	-3,617.77	-8,202.16		

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X. Risk relating to financial instruments (Continued)

2. Capital management

The objective of the Company's capital risk management is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust its financing methods, adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net liabilities divided by total capital. As at 31 December 2022, the Company's gearing ratio is 71.85% (31 December 2021: 72.76%).

XI. Fair value disclosure

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

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorised as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).

Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

(1) Items and amounts measured at fair value

As at the end of the period, assets and liabilities measured at fair value are listed as follows based on the three hierarchies as set out above:

Unit: RMB

Item	Fair value measurements categorised into			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement of fair value				
(i) Financial assets held for trading	74,708,444.88			74,708,444.88
1. Debt instruments investments				
2. Equity instrument investments	74,708,444.88			74,708,444.88
(ii) Accounts receivable financing			924,960,384.16	924,960,384.16
(iii) Other non-current financial assets			786,750,761.62	786,750,761.62
(iv) Biological assets			1,496,607,818.84	1,496,607,818.84
1. Consumable biological assets			1,496,607,818.84	1,496,607,818.84
Total assets continuously measured at fair value	74,708,444.88		3,208,318,964.62	3,283,027,409.50

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XI. Fair value disclosure (Continued)

2. Quantitative information about significant unobservable inputs used in the level 3 fair value measurement that are significant

Unit: RMB

Item	Fair value as at the end of the period	Valuation techniques	Unobservable inputs	Range
Equity instrument investments:				
Shandong Hongqiao Venture Capital Co., Ltd.	77,860,000.00	Cost method		
Consumable biological assets:				
Forestry	1,496,607,818.84	Replacement cost method	Cost per mu for the first year of Eucalyptus	854.36(RMB/tonne)
			Cost per mu for the first year of Pines	627.52(RMB/tonne)
		Roll back method of market price	Unit price per tonne of Eucalyptus wood	575.00(RMB/tonne)
			Unit price per tonne of wet pine	585.00(RMB/tonne)
			Unit price per tonne of fir wood	695.00(RMB/tonne)

XII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Chenming Holdings Co., Ltd.	Shouguang		Investment in manufacture of paper, electricity, steam, and arboriculture	1,238,787,700	27.57%	27.57%

The ultimate controller of the Company is Shouguang State-owned Assets Supervision and Administration Office.

2. Subsidiaries of the Company

For details of the Company's subsidiaries, please refer to Note IX. 1.

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XII. Related parties and related party transactions (*Continued*)

3. Joint ventures and associates of the Company

For details of material joint ventures and associates of the Company, please refer to Note IX. 3.

Balance of related party transaction between the Company and its joint ventures or associates during the period or prior periods are as follows:

Name of joint ventures or associates	Relation
Weifang Sime Darby West Port Co., Ltd.	A joint venture of the Company
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture of the Company
Weifang Xingxing United Chemical Co., Ltd.	A joint venture of the Company
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Company
Chenming (Qingdao) Asset Management Co., Ltd.	An associate of the Company
Guangdong Nanyue Bank Co., Ltd.	An associate of the Company
Xuchang Chenming Paper Co., Ltd.	An associate of the Company

4. Other related parties

Name of other related parties	Relation
Shouguang Huixin Construction Materials Co., Ltd.	A subsidiary of a company invested by the Directors and Senior Management of the Company
Lide Technology Co., Ltd.	A subsidiary of a company invested by the Directors and Senior Management of the Company
Anhui Time Source Corporation	Other investee of the Company
Chen Hongguo, Hu Changqing, Li Xingchun, Li Weixian, Li Xueqin, Li Feng, Dong Lianming, Yuan Xikun, Li Zhenzhong, Li Mingtang, Ge Guangming, Li Kang, Qiu Lanju and Sang Ailing	Key management personnel of the Company

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XII. Related parties and related party transactions (Continued)

5. Related party transactions

(1) Purchase and sales of goods and rendering and receiving services

Table on purchase of goods/receiving of services

Unit: RMB

Related party	Details of related party transaction	Amount for the period	Transaction facility approved	Whether the transaction facility is exceeded	Amount for the prior period
Weifang Sime Darby West Port Co., Ltd.	Port miscellaneous expenses	63,328,942.04	100,000,000.00	No	64,351,915.96

Table on sales of goods/providing of services

Unit: RMB

Related party	Details of related party transaction	Amount for the period	Amount for the prior period
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Sales of electricity and steam	18,254,341.50	9,729,537.52
Shouguang Huixin Construction Materials Co., Ltd.	Sales of cement, coal, oil, etc.	190,846.21	2,686,019.84

Related party transactions regarding purchase and sale of goods and provision and receipt of services

(2) Related party leasing

The Company as lessor:

Unit: RMB

Name of lessee	Type of leased asset	Lease income recognised for the current period	Lease income recognised for the previous period
Shouguang Meite Environmental Technology Co., Ltd.	Housing	1,467,889.91	1,467,889.91
Chenming (Qingdao) Asset Management Co., Ltd.	Housing	769,053.72	297,247.72
Lide Technology Co., Ltd.	Housing	1,795,618.08	1,239,653.23
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Land	220,183.49	220,183.49
Shouguang Huixin Construction Materials Co., Ltd.	Land	123,853.21	135,000.00

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XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Chenming (HK) Limited	28,181,785.95	2022-9-26	2023-3-17	No
Chenming (HK) Limited	28,722,558.44	2022-9-26	2023-3-17	No
Chenming (HK) Limited	25,525,790.82	2022-9-26	2023-3-17	No
Chenming (HK) Limited	11,960,788.56	2022-9-26	2023-3-17	No
Chenming (HK) Limited	10,479,767.45	2022-9-28	2023-3-17	No
Chenming (HK) Limited	15,123,876.51	2022-9-29	2023-3-17	No
Chenming (HK) Limited	7,644,387.86	2022-9-29	2023-3-17	No
Chenming (HK) Limited	26,514,474.71	2022-10-10	2023-3-17	No
Chenming (HK) Limited	19,961,569.69	2022-10-14	2023-3-17	No
Chenming (HK) Limited	63,935,028.00	2022-3-17	2023-3-7	No
Hainan Chenming Technology Co., Ltd.	50,000,000.00	2022-5-16	2023-5-16	No
Hainan Chenming Technology Co., Ltd.	30,000,000.00	2022-9-20	2023-9-20	No
Huanggang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2022-5-19	2023-5-18	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2022-4-22	2023-4-21	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2022-7-27	2023-7-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2022-8-19	2023-8-18	No
Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2022-8-24	2023-8-23	No
Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2022-12-23	2023-12-22	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2022-8-17	2023-8-17	No
Huanggang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-9-27	2023-9-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-10-13	2023-10-13	No
Jilin Chenming Paper Co., Ltd.	98,580,000.00	2022-11-14	2023-5-10	No
Jilin Chenming Paper Co., Ltd.	18,000,000.00	2022-5-23	2023-5-8	No
Jiangxi Chenming Paper Co., Ltd.	2,000,000.00	2022-1-19	2023-1-18	No
Jiangxi Chenming Paper Co., Ltd.	28,000,000.00	2022-2-14	2023-1-18	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2022-2-22	2023-2-21	No
Jiangxi Chenming Paper Co., Ltd.	94,450,000.00	2022-3-16	2023-3-15	No
Jiangxi Chenming Paper Co., Ltd.	99,000,000.00	2022-3-19	2023-3-18	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-3-31	2023-3-31	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2022-4-25	2023-4-24	No
Jiangxi Chenming Paper Co., Ltd.	49,000,000.00	2022-4-25	2023-4-24	No
Jiangxi Chenming Paper Co., Ltd.	270,000,000.00	2022-5-19	2023-5-17	No

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XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee (Continued)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	2022-5-27	2023-5-26	No
Jiangxi Chenming Paper Co., Ltd.	80,000,000.00	2022-6-17	2023-6-16	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-6-14	2023-6-12	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2022-6-21	2023-6-16	No
Jiangxi Chenming Paper Co., Ltd.	28,317,695.39	2022-6-24	2023-6-20	No
Jiangxi Chenming Paper Co., Ltd.	250,000,000.00	2022-6-27	2023-6-24	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2022-6-30	2023-6-30	No
Jiangxi Chenming Paper Co., Ltd.	300,000,000.00	2022-7-1	2023-6-19	No
Jiangxi Chenming Paper Co., Ltd.	1,682,304.61	2022-8-9	2023-6-20	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-8-10	2023-8-7	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-8-29	2023-8-28	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-8-30	2023-8-28	No
Jiangxi Chenming Paper Co., Ltd.	12,100,000.00	2022-9-29	2023-3-28	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-9-9	2023-9-4	No
Jiangxi Chenming Paper Co., Ltd.	20,893,800.00	2022-7-18	2023-1-18	No
Jiangxi Chenming Paper Co., Ltd.	15,400,000.00	2022-12-20	2023-6-18	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2022-12-29	2023-6-28	No
Jiangxi Chenming Paper Co., Ltd.	1,500,000.00	2022-12-29	2023-6-28	No
Shandong Chenming Paper Sales Co., Ltd.	459,968,037.61	2022-4-7	2023-4-3	No
Shandong Chenming Paper Sales Co., Ltd.	290,687,996.31	2022-8-16	2023-2-13	No
Shandong Chenming Paper Sales Co., Ltd.	150,000,000.00	2022-8-19	2023-8-22	No
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2022-9-16	2023-9-19	No
Shandong Chenming Paper Sales Co., Ltd.	80,000,000.00	2022-9-16	2023-9-19	No
Shandong Chenming Paper Sales Co., Ltd.	165,854,444.58	2022-10-9	2023-10-8	No
Shandong Chenming Paper Sales Co., Ltd.	379,780,113.16	2022-10-9	2023-10-8	No
Shandong Chenming Paper Sales Co., Ltd.	160,000,000.00	2022-12-23	2023-12-18	No
Shandong Chenming Paper Sales Co., Ltd.	260,000,000.00	2022-12-23	2023-12-18	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2022-5-31	2023-5-31	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	80,000,000.00	2022-6-1	2023-5-22	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2022-6-2	2023-5-22	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30,000,000.00	2022-7-27	2023-1-27	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	5,000,000.00	2022-10-26	2023-10-25	No
Shouguang Chenming Import and Export Trade Co., Ltd.	100,000,000.00	2022-1-14	2023-1-13	No
Shouguang Meilun Paper Co., Ltd.	49,000,000.00	2022-4-30	2023-4-18	No
Shouguang Meilun Paper Co., Ltd.	79,759,923.64	2022-7-6	2023-7-3	No
Shouguang Meilun Paper Co., Ltd.	197,973,928.22	2022-7-8	2023-1-4	No
Shouguang Meilun Paper Co., Ltd.	72,196,664.05	2022-7-21	2023-1-17	No

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XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee (Continued)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Shouguang Meilun Paper Co., Ltd.	44,000,000.00	2022-7-31	2023-7-30	No
Shouguang Meilun Paper Co., Ltd.	285,000,000.00	2022-7-22	2023-1-18	No
Shouguang Meilun Paper Co., Ltd.	125,627,758.08	2022-7-27	2023-1-28	No
Shouguang Meilun Paper Co., Ltd.	100,164,057.08	2022-7-29	2023-7-24	No
Shouguang Meilun Paper Co., Ltd.	162,657,651.11	2022-12-16	2023-6-16	No
Shouguang Meilun Paper Co., Ltd.	131,457,656.70	2022-12-8	2023-6-7	No
Shouguang Meilun Paper Co., Ltd.	20,000,000.00	2022-8-31	2023-8-31	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2022-1-13	2023-1-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	63,000,000.00	2022-1-20	2023-1-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	2022-1-21	2023-1-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,000,000.00	2022-1-27	2023-1-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2022-1-30	2023-1-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2022-2-15	2023-2-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2022-2-22	2023-2-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2022-3-3	2023-3-2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,040,000.00	2022-3-22	2023-3-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-3-16	2023-3-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-3-7	2023-3-2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2022-4-21	2023-4-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	43,000,000.00	2022-4-27	2023-4-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-5-7	2023-4-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	26,000,000.00	2022-5-13	2023-5-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	167,000,000.00	2022-5-12	2023-5-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2022-6-24	2023-6-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	48,500,000.00	2022-6-28	2023-6-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-7-22	2023-7-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	81,200,000.00	2022-7-26	2023-6-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2022-7-21	2023-7-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2022-8-9	2023-8-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2022-8-12	2023-8-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-8-19	2023-2-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2022-8-12	2023-2-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2022-8-17	2023-8-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2022-8-18	2023-8-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	59,000,000.00	2022-8-19	2023-8-18	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-9-14	2023-9-13	No

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XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee (Continued)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2022-9-22	2023-3-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2022-10-9	2023-10-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	47,000,000.00	2022-10-25	2024-10-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	2022-10-18	2023-10-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2022-11-7	2023-11-6	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2022-11-10	2023-5-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-11-16	2023-11-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2022-11-18	2023-5-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-11-29	2023-11-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	230,000,000.00	2022-12-9	2023-6-7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2022-12-6	2023-6-3	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	41,500,000.00	2022-12-14	2023-6-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2022-12-22	2023-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,200,000.00	2022-12-22	2023-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	47,382,000.00	2022-12-21	2023-12-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,002,452.97	2022-10-12	2023-3-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	12,035,031.47	2022-11-30	2023-2-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	78,000,000.00	2020-10-16	2023-10-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	113,000,000.00	2020-11-11	2023-11-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	98,000,000.00	2020-12-10	2023-12-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,000,000.00	2021-1-5	2024-1-4	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	140,000,000.00	2021-12-23	2023-12-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	95,000,000.00	2022-6-17	2025-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	95,000,000.00	2022-6-17	2025-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	95,000,000.00	2022-5-31	2024-5-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-1-26	2023-12-22	No
Shouguang Meilun Paper Co., Ltd.	304,000,000.00	2020-12-4	2023-10-30	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd	6,000,000.00	2020-12-4	2023-10-30	No
Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2020-12-4	2023-10-30	No
Weifang Sime Darby West Port Co., Ltd.	114,800,000.00	2017-12-20	2027-12-20	No
Total	11,221,761,542.97			

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XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(4) Related party lending and borrowing

Unit: RMB

Related party	Borrowing amount	Commencement date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	235,000,000.00	2022-1-1	2022-12-31	Controlling shareholder
Guangdong Nanyue Bank Co., Ltd.	1,909,100,000.00	2022-1-1	2022-12-31	Associate

(5) Remuneration of key management staff

The Company has 24 key management staff for the period and 24 for the prior period. The remuneration payment is as follows:

Unit: RMB'0,000

Item	Amount during the period	Amount during the prior period
Remuneration of key management staff	2,752.06	3,051.59

(6) Other related party transactions

① Distribution band of remuneration of key management staff

Band of annual remuneration	Amount during the year (RMB'0,000)	Amount during the prior year (RMB'0,000)
Total	2,752.06	3,051.59
Of which: (number of staff in each band of amount)		
RMB4.80-5.20 million	1	2
RMB4.00-4.80 million		
RMB3.60-4.00 million		
RMB3.20-3.60 million	1	1
RMB2.80-3.20 million		2
RMB2.40-2.80 million	1	
RMB2.00-2.40 million	1	1
RMB1.60-2.00 million	5	2
RMB1.20-1.60 million	1	
RMB0.80-1.20 million		3
Below RMB0.80 million	14	13

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XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(6) Other related party transactions (Continued)

② Breakdown of remuneration of key management staff

Key management staff	Fees	Salaries, allowances and benefits	Amount during the year (RMB'0,000)				Total (RMB'0,000)
			Bonuses	Social insurance	Of which: Pension insurance	Housing fund	
Yin Meiqun		20.00					20.00
Yang Biao		20.00					20.00
Sun Jianfei		20.00					20.00
Li Zhihui		10.00					10.00
Subtotal of independent non-executive Directors		70.00					70.00
Li Chuanxuan		20.00					20.00
Han Tingde		20.00					20.00
Subtotal of non-executive Directors		40.00					40.00
Chen Hongguo		352.24		6.22	3.95	1.53	359.99
Hu Changqing		216.85		6.22	3.95	1.58	224.65
Li Xingchun		480.00					480.00
Li Feng		187.28		6.22	3.95	1.53	195.03
Li Weixian		240.81		10.54	6.26	4.69	256.04
Subtotal of executive Directors		1,477.18		29.20	18.11	9.33	1,515.71
Li Kang		59.20		6.23	3.95	1.53	66.96
Pan Ailing		10.00					10.00
Zhang Hong		10.00					10.00
Qiu Lanju		54.86		6.16	3.82	1.53	62.55
Sang Ailing		18.00		3.65	2.28	0.85	22.50
Total of Supervisors		152.06		16.04	10.05	3.91	172.01
Subtotal of other Senior Management members		904.93		39.61	24.88	9.80	954.34
Total		2,644.17		84.85	53.04	23.04	2,752.06

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XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(6) Other related party transactions (Continued)

② Breakdown of remuneration of key management staff (Continued)

Key management staff	Fees	Salaries, allowances and benefits	Bonuses	Amount during the prior year (RMB'0,000)			Total (RMB'0,000)
				Social insurance		Housing fund	
				Social insurance	Of which: Pension insurance		
Yin Meiqun		20.00				20.00	
Yang Biao		20.00				20.00	
Sun Jianfei		20.00				20.00	
Subtotal of independent non-executive Directors		60.00				60.00	
Li Chuanxuan		20.00				20.00	
Han Tingde		20.00				20.00	
Subtotal of non-executive Directors		40.00				40.00	
Chen Hongguo		491.92		5.66	3.57	1.42	499.00
Hu Changqing		340.98		7.06	4.47	1.96	350.00
Li Xingchun		480.00					480.00
Li Feng		288.90		5.66	3.57	1.42	295.98
Subtotal of executive Directors		1,601.80		18.38	11.61	4.80	1,624.98
Li Kang		93.42		5.73	3.60	1.42	100.57
Pan Ailing		10.00					10.00
Zhang Hong		10.00					10.00
Qiu Lanju		53.25		5.76	3.60	0.97	59.98
Sang Ailing		20.71		3.53	2.24	0.63	24.87
Li Xinggui		2.43		0.76	0.48	0.22	3.41
Total of Supervisors		189.81		15.78	9.92	3.24	208.83
Subtotal of other Senior Management members		1,071.25		38.32	24.46	8.21	1,117.78
Total		2,962.86		72.48	45.99	16.25	3,051.59

Note: Social welfare contribution includes basic pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance.

XII Financial Report

XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(6) Other related party transactions (Continued)

③ The 5 highest paid individuals of the Company during the year comprised of 5 Directors.

A. Remuneration of the five highest paid individuals

Item	Amounts during the period (RMB'0,000)	Amounts during the prior year (RMB'0,000)
Salaries, allowances and benefits	1,477.18	1,904.07
Housing provident fund	9.33	5.48
Social welfare contribution	29.20	25.93
Of which: Pension insurance	18.11	16.37
Total	1,515.71	1,935.48

B. Distribution band of remuneration of the five highest paid individuals

Band of annual remuneration	Number of individuals during the year	Number of individuals during the prior year
RMB4.80-5.20 million	1	2
RMB3.20-3.60 million	1	1
RMB2.80-3.20 million		2
RMB2.40-2.80 million	1	
RMB2.00-2.40 million	1	
RMB1.60-2.00 million	1	
RMB1.20-1.60 million		

④ For the financial year ended 31 December 2022, no other bonuses, which are discretionary or are based on the Company's, the Company's or any member of the Company's performance, were paid to or receivable by the 5 highest paid individuals, and no other emoluments were paid by the Company to the Directors of the Company and the 5 highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the Directors waived any emoluments during the year.

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XII. Related parties and related party transactions (Continued)

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	1,856,833.50	1,392.06		
Accounts receivable	Shouguang Meite Environmental Technology Co., Ltd.	6,782,462.48	1,774,117.95		
Accounts receivable	Jiangxi Chenming Port Co., Ltd.			109,385.42	-
Other receivables	Weifang Sime Darby West Port Co., Ltd.	71,722,249.85	3,755,227.15	80,667,961.32	7,423,984.26
Other receivables	Shouguang Meite Environmental Technology Co., Ltd.	18,291,242.68	1,779,523.20	22,740,159.32	21,348.76
Other receivables	Xuchang Chenming Paper Co., Ltd.	327,400.00	6,791.28		
Payments in advance	Shouguang Meite Environmental Technology Co., Ltd.	6,370,726.99			

(2) Accounts payable

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Weifang Sime Darby West Port Co., Ltd.	19,479,518.82	7,609,782.51
Accounts payable	Weifang Xingxing United Chemical Co., Ltd.	26,905,494.34	26,905,494.34
Other payables	Weifang Xingxing United Chemical Co., Ltd.	16,860,000.00	16,860,000.00
Other payables	Lide Technology Co., Ltd.	508,619.46	508,619.46
Other payables	Chenming (Qingdao) Asset Management Co., Ltd.	116,656.55	115,633.42
Contract liabilities	Anhui Time Source Corporation		1,570.10
Contract liabilities	Shouguang Huixin Construction Materials Co., Ltd.	20,000.00	
Payments in advance	Chenming (Qingdao) Asset Management Co., Ltd.	2,000.00	49,539.63

XII Financial Report

XII. Related parties and related party transactions *(Continued)*

6. Related party accounts receivable and accounts payable *(Continued)*

(3) Deposits with related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Bank deposit	Guangdong Nanyue Bank Co., Ltd.	10,069,515.51	42,791.18
Other monetary funds	Guangdong Nanyue Bank Co., Ltd.	927,400,000.00	1,219,300,000.00

(4) Loans from related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	1,909,100,000.00	2,201,000,000.00

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XIII. Share-based payment

1. General information of share-based payment

Applicable Not applicable

Unit: RMB

Total equity instruments of the Company granted during the period	0
Total exercised equity instruments of the Company during the period	0
Total invalid equity instruments of the Company during the period	24,176,200.00
Range of exercise prices and contractual remaining period for share options issued by the Company at the end of the period	See explanation for details
Range of exercise prices and remaining contractual maturity of other equity instruments issued by the Company at the end of the period	

Other explanation:

Other explanation: On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company, by which 79.60 million restricted shares were granted. The grant date was 29 May 2020, and the fair value of the restricted shares was the ex-rights price of the shares on the grant date. The Restricted Shares to be granted under the Incentive Scheme were “granted once and unlocked in batches”. For the period commencing from the first trading day after expiry of the 24-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed, 40% of the Restricted Shares will be unlocked; for the period commencing from the first trading day after expiry of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed, 30% of the Restricted Shares will be unlocked; for the period commencing from the first trading day after expiry of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 60-month period from the date on which the registration of the grant of the Restricted Shares is completed, 30% of the Restricted Shares will be unlocked. Meanwhile, during the three accounting years from 2021 to 2023, the Restricted Shares granted under the Incentive Scheme shall be subject to annual performance appraisal for unlocking (for details of specific performance evaluation conditions, please refer to the announcement of the Company). The Company estimated that the performance indicators for 2022 cannot be fulfilled, and the corresponding second batch of the 30% Restricted Shares cannot be unlocked. In addition, 27,006,200 shares lapsed due to the resignation of some Senior Management members. 4,460,000 shares were actually repurchased and completed for cancellation during the period.

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XIII. Share-based payment (Continued)

2. Equity-settled share-based payment

Applicable Not applicable

Unit: RMB

The method of determining the fair value of equity instrument on the grant date	Ex-right price of grant of share
Basis for determining the quantity of exercisable equity instruments	See explanation for details
Reasons for significant difference between the current estimate and previous estimate	None
Accumulated amount of equity-settled share-based payment included in the capital reserve	86,165,601.92
Total amount of equity-settled share-based payment recognised in the current period	1,121,804.80

Other explanation: At each balance sheet date during the vesting period, the Company, based on the latest information such as the latest update on the change in the number of entitled employees, will make best estimates to adjust the expected number of equity instruments that can be vested. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

XIV. Undertaking and contingency

1. Significant commitments

Significant commitments as at the balance sheet date

Unit: RMB

Capital commitments contracted for but not yet necessary to be recognised on the balance sheet	Closing balance	Opening balance
Commitments in relation to acquisition and construction of long-term assets	184,833,000.27	181,254,971.61

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XIV. Undertaking and contingency (Continued)

2. Other commitments

In 2022, the Company entered into a restructuring agreement with Chongqing International Trust Inc. (“Chongqing Trust”), Dongxing Securities Investment Co., Ltd. (“Dongxing Investment”) and Chenming (Qingdao) Asset Management Co. Ltd. (“Chenming Asset Management”) for the issuance of shares and payment of cash for the acquisition of assets. Pursuant to the relevant agreement, the Company intended to acquire 1.19% equity interest in Shouguang Meilun Paper Co., Ltd. held by Dongxing Investment and 44.44% limited partnership interest and 0.22% general partnership interest in Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) (“Chenrong Fund”) by means of issuance of shares and payment of cash. For the details of the transaction price, the issuance size and the lock-up period arrangement for the issue of shares, please refer to the Company’s disclosure on CNINFO on 28 February 2023.

Whether the transaction can obtain approval or authorisation from the Shenzhen Stock Exchange or the CSRC is uncertain. There is also uncertainty as to the time when the final approval or authorisation will be obtained.

3. Contingency

As at 31 December 2022, the Company had no contingent items such as outstanding litigation and external guarantees that should be disclosed.

XV. Post-balance sheet event

As of 30 March 2023, the Company has no undisclosed event that should be disclosed after the balance sheet date.

XVI. Other material matters

1. Segment information

(1) Basis for determination and accounting policies

According to the Company’s internal organisational structure, management requirements and internal reporting system, the Company’s operating business is divided into 4 reporting segments. These report segments are determined based on the financial information required by the company’s daily internal management. The management of the Group regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The Company’s reporting segments include:

- (1) Machine paper segment, which is responsible for production and sales of machine paper;
- (2) Financial services segment, which provides financial services;
- (3) Hotels and property rentals segment, which is responsible for hotel services and property rental;
- (4) Other segments, which is responsible for the above segments otherwise.

The transfer prices of the transfer transactions between the Company’s segments are based on market prices.

Segment report information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. These accounting policies and measurement basis are consistent with the accounting policies and measurement basis used in preparing the financial statements.

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XVI. Other material matters (Continued)

1. Segment information (Continued)

(2) Financial Information of Reporting Segment

Unit: RMB'0,000

Current period or end of current period	Machine-made paper	Financial services	Hotels and property rentals	Others	Offset	Total
Revenue	3,106,090.21	51,373.75	40,770.86	107,842.57	105,640.66	3,200,436.73
Of which: Revenue from external transactions	3,083,189.82	20,937.81	25,278.66	71,030.44		3,200,436.73
Revenue from inter-segment transactions	22,900.39	30,435.94	15,492.20	36,812.13	105,640.66	
Of which: Revenue from principal activities	3,035,133.50	51,081.29	39,294.23	104,059.90	87,057.23	3,142,511.69
Operating costs	2,651,930.40	2,412.76	24,576.75	98,165.98	39,713.32	2,737,372.57
Of which: Costs of principal activities	2,614,167.20	2,412.76	24,357.88	92,829.94	45,873.42	2,687,894.36
Operating expenses	33,086.20	202.78	2,078.13	737.81	11,886.79	24,218.13
Of which: Wages	11,195.94	108.40	501.10	280.08		12,085.52
Depreciation expenses	276.22	2.11	372.69	1.44		652.46
Office expenses	245.75	0.01	0.80	0.03		246.59
Travel expenses	2,073.96	29.35	2.24	45.91		2,151.46
Selling commissions	518.62		571.93	66.59		1,157.14
Rental expenses	596.32			8.50		604.82
Hospitality expenses	5,390.90	62.92	4.55	72.88		5,531.25
Warehouse expenses	11.07			55.89		66.96
Others	12,777.43		624.81	206.50	11,886.79	1,721.94
Operating profit/(loss)	18,503.01	17,705.95	-5,076.03	-845.54	14,665.52	15,621.87
Total assets	9,338,157.45	1,983,640.56	769,184.87	991,804.79	4,652,685.93	8,430,101.74
Total liabilities	6,828,271.88	649,202.13	371,242.44	344,249.22	2,135,689.31	6,057,276.36
Total cost of construction in progress incurred for the current period	77,372.58			49.96		77,422.54
Fixed assets purchased	15,050.77	9.67	17.30	358.99		15,436.74
Intangible assets purchased	30,700.49			57.81		30,758.30

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XVI. Other material matters (Continued)

1. Segment information (Continued)

(2) Financial Information of Reporting Segment (Continued)

Unit: RMB'0,000

Prior period or end of prior period	Machine-made paper	Financial services	Hotels and property rentals	Others	Offset	Total
Revenue	3,174,975.00	65,440.39	40,526.16	133,313.93	112,274.25	3,301,981.23
Of which: Revenue from external transactions	3,168,198.65	35,210.22	16,635.55	81,936.81	0.00	3,301,981.23
Revenue from inter-segment transactions	6,776.35	30,230.18	23,890.60	51,377.12	112,274.25	0.00
Of which: Revenue from principal activities	3,084,442.22	65,195.11	23,111.51	127,829.53	107,220.05	3,193,358.32
Operating costs	2,566,477.14	24,602.34	12,939.43	123,637.48	205,428.81	2,522,227.58
Of which: Costs of principal activities	2,414,343.74	24,602.34	7,362.71	118,084.03	118,386.09	2,446,006.73
Operating expenses	49,085.83	339.02	2,345.00	903.40	23,322.28	29,350.97
Of which: Wages	12,743.31	163.80	670.56	483.78		14,061.46
Depreciation expenses	745.65	4.64	369.29	10.34		1,129.94
Office expenses	231.42	0.09	0.47	-0.11		231.88
Travel expenses	2,021.42	43.32	2.54	53.10		2,120.38
Selling commissions	440.61		708.47			1,149.07
Rental expenses	808.45			85.66		894.10
Hospitality expenses	5,673.35	106.64	13.92	132.02		5,925.93
Warehouse expenses	44.57			11.02		55.59
Others	26,377.05	20.52	579.74	127.59	23,322.28	3,782.62
Operating profit/(loss)	330,978.21	11,821.37	468.23	-8,164.59	106,957.32	228,145.90
Total assets	9,072,803.27	2,039,544.30	794,932.41	969,230.15	4,589,543.96	8,286,966.17
Total liabilities	6,622,082.54	791,449.37	411,845.72	297,958.83	2,093,873.91	6,029,462.55
Total cost of construction in progress incurred for the current period	10,567.13					10,567.13
Fixed assets purchased	21,099.63	102.64	164.84	443.54		21,810.65
Intangible assets purchased		40.09		2.91		43.00

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XVI. Other material matters (Continued)

2. Government grants

(1) Government subsidies included in deferred income will be subsequently measured using the gross method

Unit: RMB

Item of subsidies	Type	Opening balance	New subsidy amount for the period	Amount transferred to profit or loss for the period	Other movements	Closing balance	Presentable items transferred to profit or loss for the period	Asset-related/income-related
Project Funding for National Key Technology Research and Development Program	Financial appropriation	1,123,125.00		164,700.00		958,425.00	Other income	Asset-related government grants
Infrastructure and environmental protection engineering transformation project	Financial appropriation	220,099,227.08		11,778,260.39		208,320,966.69	Other income	Asset-related government grants
Huanggang pulp-forestry-paper project	Financial appropriation	496,020,740.85		25,026,217.80		470,994,523.05	Other income	Asset-related government grants
Zhanjiang forestry-pulp-paper project	Financial appropriation	50,806,597.19		4,094,632.92		46,711,964.27	Other income	Asset-related government grants
Financial subsidies for technical transformation project	Financial appropriation	144,150,333.36		11,535,807.72		132,614,525.64	Other income	Asset-related government grants
Funding for environmental protection	Financial appropriation	627,047,425.68		50,592,141.88		576,455,283.80	Other income	Asset-related government grants
Others	Financial appropriation	34,434,235.09		1,259,455.08		33,174,780.01	Other income	Asset-related government grants
Total		1,573,681,684.25		104,451,215.79		1,469,230,468.46		

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XVI. Other material matters (Continued)

2. Government grants (Continued)

(2) Government subsidies calculated into the current profit and loss using the total method

Unit: RMB

Subsidy Item	Type	Amount credited to profit or loss for the prior period	Amount credited to profit or loss for the period	Presentable items included in profit or loss	Asset-related/ income-related
Special subsidy from the Bureau of Finance	Financial appropriation	40,640,000.00	73,730,000.00	Non-operating income	Income-related
Enterprise reform and development subsidies	Financial appropriation	33,657,897.20	66,394,161.00	Other income	Income-related
Financial subsidies for technical transformation project	Financial appropriation	38,603,317.72	52,395,702.39	Other income	Asset-related and revenue related
Funding for environmental protection	Financial appropriation	50,794,311.52	50,592,141.88	Other income	Asset-related and revenue related
Huanggang pulp-forestry-paper project	Financial appropriation	24,200,216.24	25,026,217.80	Other income	Asset-related
Sewage treatment and water conservation transformation project	Financial appropriation	12,835,606.22	11,778,260.39	Other income	Asset-related
Zhanjiang forestry-pulp-paper project	Financial appropriation	4,094,632.92	4,094,632.92	Other income	Asset-related
Immediate VAT refund	Financial appropriation	768,780.56	8,346,328.57	Other income	Income-related
Government awards	Financial appropriation	6,821,907.00	4,704,600.00	Other income	Income-related
Refund of tax	Financial appropriation	8,149,743.76	4,052,553.33	Other income	Income-related
Employment stabilisation subsidy	Financial appropriation	1,626,174.63	3,012,954.63	Other income	Income-related
Afforestation subsidy	Financial appropriation	1,404,769.00	2,695,823.49	Other income	Income-related
One-time job retention subsidies	Financial appropriation		2,125,800.00	Other income	Income-related
Subsidies for foreign trade projects	Financial appropriation		1,000,000.00	Other income	Income-related
R&D subsidy	Financial appropriation	2,476,800.00	500,000.00	Other income	Income-related
Project Funding for National Key Technology Research and Development Program	Financial appropriation	164,700.00	164,700.00	Other income	Asset-related
Subsidies for social insurance	Financial appropriation	345,163.82	116,915.50	Other income	Income-related
Financing subsidy	Financial appropriation	576,300.00		Other income	Income-related
Investment promotion subsidy	Financial appropriation	22,921,843.36		Other income	Income-related
Leading talent subsidy	Financial appropriation	660,000.00		Other income	Income-related
Pandemic subsidy	Financial appropriation	200,000.00		Non-operating income	Income-related
Others	Financial appropriation	12,144,833.64	4,203,523.72	Other income and non-operating income	Asset-related and revenue related
Total		263,086,997.59	314,934,315.62		

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XVII. Major Item Notes of the Parent Company's Financial Statements

1. Bills receivable

Unit: RMB

Type	Closing balance			Opening balance		
	Book balance	Bad debt provision	Carrying value	Book balance	Bad debt provision	Carrying value
Bank acceptance bills	3,343,052,426.80		3,343,052,426.80	3,091,000,000.00		3,091,000,000.00
Commercial acceptance bills	139,770,000.00		139,770,000.00	534,270,000.00		534,270,000.00
Total	3,482,822,426.80		3,482,822,426.80	3,625,270,000.00		3,625,270,000.00

(1) Bills receivable pledged by the Company as at the end of the period

Unit: RMB

Type	Amount pledged as at the end of the period
Bank acceptance bills	8,497,931.30
Total	

(2) Bills receivable endorsed or discounted but not yet due as at the end of the period

Unit: RMB

Type	Amount derecognised as at the end of the period	Amount not yet derecognised as at the end of the period
Bank acceptance bills	5,474,558,821.06	3,176,190,000.00
Commercial acceptance bills		139,770,000.00
Total	5,474,558,821.06	3,315,960,000.00

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XVII. Major Item Notes of the Parent Company's Financial Statements

2. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Percentage	Amount	proportion	Carrying value	Amount	Percentage	Amount	proportion	Carrying value
Accounts receivable assessed individually for bad debt provision										
Accounts receivable assessed collectively for bad debt provision	139,392,924.13	100.00%	4,637,396.40	3.33%	134,755,527.73	146,213,282.74	100.00%	4,612,037.23	3.15%	141,601,245.51
Of which:										
Accounts receivable from related party customers	101,246,295.74	72.63%			101,246,295.74	126,108,166.75	86.25%			126,108,166.75
Accounts receivable from non-related party customers	38,146,628.39	27.37%	4,637,396.40	12.16%	33,509,231.99	20,105,115.99	13.75%	4,612,037.23	22.94%	15,493,078.76
Total	139,392,924.13	100.00%	4,637,396.40	3.33%	134,755,527.73	146,213,282.74	100.00%	4,612,037.23	3.15%	141,601,245.51

Accounts receivable assessed collectively for bad debt provision: Accounts receivable from related party customers

Unit: RMB

Ageing	Closing balance		
	Book balance	Bad debt provision	Provision proportion
Within 1 year	101,246,295.74		
1 to 2 years			
Total	101,246,295.74		

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XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

2. Accounts receivable (Continued)

(1) Disclosure of accounts receivable by category (Continued)

Accounts receivable assessed collectively for bad debt provision: Accounts receivable from non-related party customers

Unit: RMB

Ageing	Book balance	Closing balance	
		Bad debt provision	Provision proportion
Within 1 year	35,143,807.22	1,634,575.23	4.65%
1 to 2 years			
2 to 3 years			
Over 3 years	3,002,821.17	3,002,821.17	100.00%
Total	38,146,628.39	4,637,396.40	12.16%

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs, please disclose the information about bad debt provision with reference to the way of disclosure of other receivables:

Applicable Not applicable

Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	136,390,102.96	143,210,461.57
1 to 2 years		
2 to 3 years		
Over 3 years	3,002,821.17	3,002,821.17
Total	139,392,924.13	146,213,282.74

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision	4,612,037.23	25,359.17				4,637,396.40
Total	4,612,037.23	25,359.17				4,637,396.40

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XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

2. Accounts receivable (Continued)

(3) Top five account receivables according to closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the period was RMB139,312,702.96, which accounted for 99.95% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB4,557,175.23.

Unit: RMB

Name	Closing balance of accounts receivable	As a percentage of the closing balance of accounts receivable	Closing balance of bad debt provision
Customer 1	87,524,781.93	62.79%	
Customer 2	33,643,807.22	24.14%	134,575.23
Customer 3	8,721,513.81	6.26%	
Customer 4	5,000,000.00	3.59%	
Customer 5	4,422,600.00	3.17%	4,422,600.00
Total	139,312,702.96	99.95%	4,557,175.23

3. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		126,325,018.50
Other receivables	9,337,019,470.13	8,773,854,244.04
Total	9,337,019,470.13	8,900,179,262.54

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Jiangxi Chenming Paper Co., Ltd.		72,896,218.50
Zhanjiang Chenming Pulp & Paper Co., Ltd.		53,428,800.00
Total		126,325,018.50

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XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

3. Other receivables (Continued)

(2) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	9,391,199,670.38	8,849,264,265.13
Guarantee deposit and deposit	850,000.00	240,000.00
Reserve and borrowings	15,112,113.60	6,103,279.46
Others	13,027,863.16	11,961,652.43
Total	9,420,189,647.14	8,867,569,197.02

2) Particulars of bad debt provision

Closing bad debt provision at phase 1:

Unit: RMB

Category	Book balance	ECL rate (%) for the next 12 months	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed					
collectively	9,371,228,215.86	0.37%	34,208,745.73	9,337,019,470.13	
Amount due from government agencies	16,006,345.47	99.18%	15,875,454.32	130,891.15	
Amount due from related parties	9,299,308,929.52	0.04%	3,755,227.15	9,295,553,702.37	
Other receivables	55,912,940.87	26.07%	14,578,064.26	41,334,876.61	
Total	9,371,228,215.86	0.37%	34,208,745.73	9,337,019,470.13	

Closing bad debt provision at phase 2:

As at the end of the period, the Company had no interest receivable, dividend receivable and other receivables at phase 2.

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XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

3. Other receivables (Continued)

(2) Other receivables (Continued)

2) Particulars of bad debt provision (Continued)

Closing bad debt provision at phase 3:

Unit: RMB

Category	Book balance	Lifetime ECL rate (%)	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed individually	48,961,431.28	100.00%	48,961,431.28	0.00	
Total	48,961,431.28	100.00%	48,961,431.28	0.00	

Bad debt provision assessed individually

Unit: RMB

Category	Book balance	Lifetime ECL rate (%)	Bad debt provision	Carrying amount	Reason
Valtra Inc. of Finland	5,526,048.24	100.00%	5,526,048.24	0.00	Overdue for a prolonged period and unlikely to be recovered
Metso Paper Machinery (China) Co., Ltd.	4,725,039.89	100.00%	4,725,039.89	0.00	Overdue for a prolonged period and unlikely to be recovered
71 entities including Andritz	38,710,343.15	100.00%	38,710,343.15	0.00	Overdue for a prolonged period and unlikely to be recovered
Total	48,961,431.28	100.00%	48,961,431.28	0.00	

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XVII. Major Item Notes of the Parent Company's Financial Statements (*Continued*)

3. Other receivables (*Continued*)

(2) Other receivables (*Continued*)

2) Particulars of bad debt provision (*Continued*)

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

Applicable Not applicable

Disclosed by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year	9,332,813,880.83	7,121,706,162.10
1 to 2 years	7,536,768.10	1,468,300,735.77
2 to 3 years	4,626,771.34	190,900,767.76
Over 3 years	75,212,226.87	86,661,531.39
Total	9,420,189,647.14	8,867,569,197.02

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision	93,714,952.98		10,544,775.97			83,170,177.01
Total	93,714,952.98		10,544,775.97			83,170,177.01

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XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

3. Other receivables (Continued)

(2) Other receivables (Continued)

4) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five other receivables based on closing balance of debtors for the period was RMB5,839,760,811.51, which accounted for 61.99% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB0.00.

Unit: RMB

Name of entity	Nature	Closing balance	Maturity	As a percentage of the closing balance of other receivables	Closing balance of bad debt provision
Customer 1	Open credit	1,282,383,356.23	Within 1 year	13.61%	
Customer 2	Open credit	1,248,900,000.00	Within 1 year	13.26%	
Customer 3	Open credit	1,172,617,380.28	Within 1 year	12.45%	
Customer 4	Open credit	1,141,900,000.00	Within 1 year	12.12%	
Customer 5	Open credit	993,960,075.00	Within 1 year	10.55%	
Total	—	5,839,760,811.51	—	61.99%	

4. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance		Opening balance		Book value
		Impairment provision	Book value	Book balance	Impairment provision	
Investment in subsidiaries	18,502,944,740.81		18,502,944,740.81	18,480,556,896.52		18,480,556,896.52
Investment in joint ventures	82,741,230.15		82,741,230.15	84,273,868.62		84,273,868.62
Investment in associates	246,471,611.33	5,994,545.96	240,477,065.37	247,193,596.00	5,994,545.96	241,199,050.04
Total	18,832,157,582.29	5,994,545.96	18,826,163,036.33	18,812,024,361.14	5,994,545.96	18,806,029,815.18

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XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

4. Long-term equity investments (Continued)

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (Book value)	Additional contribution	Change for the period			Closing balance (Book value)	Closing balance of impairment provision
			Withdrawn contribution	Impairment provision	Others		
Chenming Paper Korea Co., Ltd.	6,143,400.00					6,143,400.00	
Chenming GmbH	4,083,235.00					4,083,235.00	
Hailaer Chenming Paper Co., Ltd.	12,000,000.00					12,000,000.00	
Huanggang Chenming Pulp & Paper Co., Ltd.	2,302,000,000.00	48,000,000.00				2,350,000,000.00	
Huanggang Chenming Arboriculture Development Co., Ltd.	70,000,000.00					70,000,000.00	
Jinan Chenming Investment and Management Co., Ltd.	100,000,000.00					100,000,000.00	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	264,493,210.21					264,493,210.21	
Shandong Grand View Hotel Co., Ltd.	80,500,000.00					80,500,000.00	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,110,000,000.00	27,500,000.00				5,137,500,000.00	
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00					10,000,000.00	
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80					113,616,063.80	
Shouguang Meilun Paper Co., Ltd.	4,449,441,979.31					4,449,441,979.31	
Shouguang Shun Da Customs Declaration Co., Ltd.	1,500,000.00					1,500,000.00	
Shandong Chenming Paper Sales Co., Ltd.	762,641,208.20					762,641,208.20	
Shouguang Chenming Import and Export Trade Co., Ltd.	250,000,000.00					250,000,000.00	
Shouguang Chenming Papermaking Machine Co., Ltd.	2,000,000.00					2,000,000.00	
Shouguang Chenming Hongxiang Packaging Co., Ltd.	3,730,000.00					3,730,000.00	
Shandong Chenming Group Finance Co., Ltd.	4,000,000,000.00					4,000,000,000.00	
Chenming Arboriculture Co., Ltd.	45,000,000.00					45,000,000.00	
Chenming Paper United States Co., Ltd.	6,407,800.00					6,407,800.00	
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	632,000,000.00		39,499,659.47			592,500,340.53	
Weifang Chendu Equity Investment Partnership (Limited Partnership)	255,000,000.00		13,612,496.24			241,387,503.76	
Total	18,480,556,896.52	75,500,000.00	53,112,155.71			18,502,944,740.81	

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XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

4. Long-term equity investments (Continued)

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Opening balance (book value)	Additional contribution	Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period				Closing balance impairment provision
					Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision Others	
I. Associates									
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	36,967,896.31			-191,185.40					36,776,710.91
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	197,297,485.59			-79,166.82					197,218,318.77
Chenming (Qingdao) Asset Management Co., Ltd.	6,933,668.14			488,367.55			940,000.00		6,482,035.69
Xuchang Chenming Paper Co., Ltd.									5,994,545.96
Subtotal	241,199,050.04			218,015.33			940,000.00		240,477,065.37
II. Joint ventures									
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	6,902,869.87			1,989,789.55			1,000,000.00		7,892,659.42
Weifang Sime Darby West Port Co., Ltd.	77,370,998.75			-2,522,428.02					74,848,570.73
Subtotal	84,273,868.62			-532,638.47			1,000,000.00		82,741,230.15
Total	325,472,918.66			-314,623.14			1,940,000.00		323,218,295.52

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XVII. Major Item Notes of the Parent Company's Financial Statements (*Continued*)

5. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	6,270,637,334.30	6,040,121,665.12	7,457,655,880.74	6,282,245,216.89
Other activities	1,249,427,268.18	1,005,967,022.32	1,303,835,529.34	1,075,724,228.66
Total	7,520,064,602.48	7,046,088,687.44	8,761,491,410.08	7,357,969,445.55

Information related to the transaction price allocated to the remaining performance obligations:

As at the end of the reporting period, the amount of income corresponding to the agreements that have been entered into but have not yet fulfilled or not fully fulfilled their performance obligations amounted to RMB1,503,256,921.15, which is expected to be recognised in 2023.

6. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the cost method	731,666,286.45	2,552,823,636.61
Income from long-term equity investments accounted for using the equity method	-314,623.14	-3,156,467.36
Investment gain on disposal of long-term equity investments	751,679.56	379,035,504.15
Investment gain on derecognition of financial assets	-63,403,215.00	-13,074,419.85
Investment gain on debt restructuring		472,886.50
Investment gain on holding other non-current financial assets	4,746,821.37	16,205,276.87
Total	673,446,949.24	2,932,306,416.92

XII Financial Report

XVIII. Supplementary information

1. Breakdown of extraordinary gains or losses for the current period

Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	161,509,859.17	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	314,934,315.62	
Profit or loss from debt restructuring	967,464.91	
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading and financial liabilities held for trading, as well as investment gains from disposal of financial assets held for trading, financial liabilities held for trading and financial assets available for sale	-35,178,162.53	
Reversal of provision for impairment of receivables individually tested for impairment	275,585,463.86	
Gain or loss arising from fair value change of consumable biological assets subsequently measured at fair value	9,924,233.72	
Other gain or loss items within the definition of extraordinary gain or loss	-37,391,130.09	
Total extraordinary gains or losses	690,352,044.66	
Less: Effect of income tax of extraordinary gains or losses	137,333,913.66	
Net extraordinary gains or losses	553,018,131.00	
Less: Net effect of extraordinary gains or losses attributable to minority interest (after tax)	2,268,633.02	
Extraordinary gains or losses attributable to ordinary shareholders of the Company	550,749,497.98	

Other profit or loss items consistent with the definition of extraordinary items:

Applicable Not applicable

The Company does not have other profit or loss items consistent with the definition of extraordinary items.

Explanation on classification of non-recurring profit and loss listed in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss as non-recurring profit and loss

Applicable Not applicable

XII Financial Report

XVIII. Supplementary information (Continued)

2. Return on net assets and earnings per share

Profit for the reporting period	Rate of return on net assets on weighted average basis	Earnings per share	
		Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	0.55%	0.03	0.03
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	-2.51%	-0.15	-0.15

3. Accounting data difference under accounting standard at home and abroad

(1) Differences of net profit and net assets disclosed in financial reports prepared under IAS 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

The Board of Shandong Chenming Paper Holdings Limited
30 March 2023



山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED