

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board of Directors (the “**Board**”) of Shandong Chenming Paper Holdings Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the “**Group**”) for the year ended 31 December 2021. This announcement, containing the full text of the 2021 annual report (“**Annual Report**”) of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. The printed version of the Company’s Annual Report will be delivered to the shareholders of the Company on or about 6 April 2022 and available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.chenmingpaper.com for perusal on 30 March 2022.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company’s financial statements are prepared on a going concern and based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises-Basic Standards promulgated by the Ministry of Finance (Order of Ministry of Finance No. 33, as amended by Order of Ministry of Finance No. 76) and specific accounting standards as promulgated and amended on and after 15 February 2006, the application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as “**ASBEs**”), and the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” (revised in 2014) of China Securities Regulatory Commission.

The Company’s financial statements have been prepared on an accrual basis in accordance with the ASBEs. Except for certain financial instruments and inventories, the financial statements are prepared under the historical cost convention. Held-for-sale non-current assets are measured at the lower of the difference of fair value less expected expenses or the original carrying amount when meeting the conditions of holding for sale. In the event that depreciation of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company discussed with the management of the Company the accounting standards and practices adopted by the Company and discussed and reviewed the annual results, including the review of the financial statements of the Company for the year ended 31 December 2021 prepared in accordance with the ASBEs of China.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for 2021, subject to the approval of shareholders at the annual general meeting to be held on 11 May 2022 (the “AGM”).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 May 2022 to 11 May 2022 (both days inclusive) for the purpose of determining the list of H Share Shareholders of the Company entitled to attend the AGM. In order to be entitled to attend and vote at the AGM, H Share Shareholders should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong) for registration not later than 4:30 p.m. on 4 May 2022.

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

Shandong, the PRC
30 March 2022

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun and Mr. Li Feng; the non-executive Directors are Mr. Han Tingde and Mr. Li Chuanxuan; and the independent non-executive Directors are Ms. Yin Meiqun, Mr. Sun Jianfei and Mr. Yang Biao.

* *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

Table of Contents

I	Important Notice, Table of Contents and Definitions.....	1
II	Company Profile and Key Financial Indicators	6
III	Chairman’s Report	11
IV	Management Discussion and Analysis.....	13
V	Directors’ Report	44
VI	Corporate Governance.....	53
VII	Environment and Social Responsibility	93
VIII	Material Matters	101
IX	Changes in Share Capital and Shareholders	124
X	Preference Shares.....	133
XI	Bonds	138
XII	Financial Report	146

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 accountant;
- 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 or Chenming Paper	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 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)
Chenchuang Fund	means	Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)

I Important Notice, Table of Contents and Definitions

Item		Definition
Corporate Bonds	means	17 Chenming Bond 01 and 18 Chenming Bond 01
Preference Shares	means	Chenming You 01, Chenming You 02 and Chenming You 03
Perpetual Bonds	means	17 Lu Chenming MTN001
B-to-H Share Conversion	means	Change of listing venue of the domestic listed foreign shares on the Main Board of The Stock Exchange of Hong Kong Limited by way of conversion
the reporting period or the year	means	The period from 1 January 2021 to 31 December 2021
the beginning of the year or the period	means	1 January 2021
the end of the year or the period	means	31 December 2021
the prior year	means	The period from 1 January 2020 to 31 December 2020

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		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal 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		
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 Lei

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

	2021	2020	Increase/decrease for the year as compared to the prior year	2019
Revenue (RMB)	33,019,812,294.14	30,736,517,996.90	7.43%	30,395,434,073.35
Net profit attributable to shareholders of the Company (RMB)	2,065,513,108.71	1,712,029,078.52	20.65%	1,656,566,584.88
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	1,743,876,537.12	1,119,103,808.75	55.83%	702,329,086.29
Net cash flows from operating activities (RMB)	8,581,888,192.64	11,259,802,676.28	-23.78%	12,232,707,222.94
Basic earnings per share (RMB per share)	0.56	0.36	55.56%	0.33
Diluted earnings per share (RMB per share)	0.56	0.36	55.56%	0.33
Rate of return on weighted average net assets	9.60%	5.84%	Increased by 3.76 percentage points	5.57%

	As at the end of 2021	As at the end of 2020	Increase/decrease as at the end of the year compared to the end of the prior year	As at the end of 2019
Total assets (RMB)	82,841,454,602.24	91,575,457,828.62	-9.54%	97,958,909,935.15
Net assets attributable to shareholders of the Company (RMB)	19,089,778,227.64	24,276,968,789.00	-21.37%	25,169,743,863.75

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 under other equity instruments and the effect of the dividends on Preference Shares under other equity instruments that have been considered and approved for distribution. When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on Perpetual Bonds of RMB89,700,000.00, the dividends on Preference Shares of RMB323,390,968.66 declared to be distributed and the cash dividends of RMB14,202,450.00 attributable to the shareholders of restricted shares expected to be unlocked in the future among the dividends distributed during the reporting period are 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

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	10,205,724,007.89	6,967,092,346.64	8,588,800,889.56	7,258,195,050.05
Net profit attributable to shareholders of the Company	1,179,076,577.84	842,018,839.70	161,233,847.41	-116,816,156.24
Net profit after extraordinary gains or losses attributable to shareholders of the Company	1,165,076,739.34	799,641,441.36	-9,419,328.18	-211,422,315.40
Net cash flows from operating activities	3,386,890,222.27	1,360,295,299.67	2,479,120,720.53	1,355,581,950.17

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

II Company Profile and Key Financial Indicators

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					
	2021	2020	2019	2018	2017	
					Before adjustment	After adjustment
Revenue	3,301,981	3,073,652	3,039,543	2,887,576	2,985,174	2,947,245
Profit before tax	230,618	217,227	204,848	320,632	453,648	453,648
Tax	21,650	26,606	29,518	64,158	77,752	77,752
Profit for the current period attributable to shareholders of the Company	206,551	171,203	165,657	250,983	376,933	376,933
Minority interests	2,417	19,418	9,673	5,491	-1,036	-1,036
Basic earnings per share (RMB/share)	0.56	0.36	0.33	0.51	1.13	1.13
Rate of return on weighted average net assets (%)	9.60%	5.84%	5.57%	8.51%	15.80%	15.80%

Unit: RMB'0,000

	For the year ended 31 December					
	2021	2020	2019	2018	2017	
					Before adjustment	After adjustment
Total assets	8,284,145	9,157,546	9,795,891	10,531,873	10,562,510	10,562,510
Total liabilities	6,029,463	6,577,519	7,161,914	7,944,704	7,535,092	7,535,092
Minority interests	345,705	152,329	117,003	82,296	249,565	249,565
Equity attributable to shareholders of the Company	1,908,978	2,427,697	2,516,974	2,504,873	2,777,853	2,777,853
Net current assets (liabilities)	-1,766,446	-1,516,398	-774,633	-1,344,718	-783,090	-783,090
Total assets less current liabilities	3,230,650	4,052,922	4,526,014	4,390,405	4,837,646	4,837,646

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount for 2021	Amount for 2020	Amount for 2019
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	162,163,302.50	-51,477,216.37	135,669,108.82
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	261,974,874.53	943,720,129.34	623,277,014.49
Gain arising from investment costs for acquisition of subsidiaries, associates and joint ventures by the corporation being less than its share of fair value of identifiable net assets of the investees on acquisition			364,597,001.77
Profit or loss from debt restructuring	24,593,731.72	-14,942,498.74	-55,792,548.82
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	-54,802,461.29	21,166,216.02	46,445,653.55
Consumable biological assets subsequently measured at fair value	-41,899.05	-13,329,852.55	-19,752,911.94
Other non-operating income and expenses other than the above items	-15,461,704.28	8,582,997.62	24,876,982.31
Loss on abnormal work stoppage		-24,567,901.71	
Less: Effect of income tax	60,135,956.19	120,949,832.54	131,148,729.27
Effect of minority interests (after tax)	-3,346,683.65	155,276,771.30	33,934,072.32
Total	321,636,571.59	592,925,269.77	954,237,498.59

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.

Dear shareholders,

In 2021, the efficient control of the Chinese government over the COVID-19 epidemic created a stable internal environment for the Chinese economy, while for the whole world, the recurring waves of the COVID-19 epidemic still hindered the global economic recovery with conflicts such as supply chain crises and energy shortages also being magnified during the epidemic. During the 2021 financial year, the sharp rise in commodity prices and the significant increase in energy costs brought new challenges to the development of the manufacturing industry in China, and the paper industry was no exception. Despite all challenges, the Company still achieved steady growth in its results in 2021, manifesting powerful development resilience.

Across the “severe winter” and moving forward tenaciously

In 2021, in the face of complex and ever-changing internal and external situations, the Company worked together to face up to the new problems, solve new difficulties and adapt to the new normal. Under the premise of doing a good job in epidemic prevention and control, the Company strictly controlled product quality, expanded sales channels, tapped potential market demand, reduced operating costs, optimised industrial layout and improved comprehensive operational efficiency. With the joint efforts of all cadres and employees, in 2021, the Company completed the production of machine-made paper of 5.50 million tonnes and achieved sales of 5.45 million tonnes. The Company achieved revenue of RMB33,020 million, representing a year-on-year increase of 7.43%. Total profit and net profit attributable to equity holders of the Company were RMB2,306 million and RMB2,066 million respectively, up by 6.16% and 20.65% year on year. The Company has been successively honoured over 20 titles above the provincial level including the Top 500 Chinese Enterprises, and its paper and paper board production ranks among the top ten in the world, continuously maintaining its sound and steady development.

Constructing raw material safety net with the integration of pulp and paper

The ever-changing international trade relationship and stricter environmental protection requirements have pushed the importance of supply chain stability to a new height, and also showed the urgency of an optimised raw material structure for the peers in the industry. As a result, the Company has taken the lead in the construction of a “pulp-paper integration” base in Zhanjiang Chenming as a pilot project, and the “pulp-paper integration strategy” is further implemented successively in Shouguang, Huanggang and other places. Having built machine-made paper capacity of approximately 6.8 million tonnes and self-made wood pulp capacity of approximately 4.3 million tonnes as at the end of 2021 the Company continuously has a leading pulp-paper integration level in the industry, which builds a safety barrier of raw materials supply for our future sustainable development.

The background of the page is a photograph of a paper mill. Large rolls of paper are being processed on a conveyor belt. The scene is brightly lit, and the machinery is visible in the background.

III Chairman's Report

Seizing the opportunity arising from “dual carbon” with green vitality

In 2021, the PRC government put forward the “dual carbon” goal of “striving to hit peak carbon emissions before 2030 and achieve carbon neutrality before 2060”. Under this background, it is richer and more profound to accelerate the pace of carbon reduction, promote green development, lead technological innovation for China's manufacturing industry and enhance international competitiveness. The Company actively participates in energy structure transformation and low-carbon production. In addition to the existing biomass power generation projects, the Company also introduces new photovoltaic power generation projects and carbon sink development, gaining new momentum for green development with new vitality into clean production and resource conservation.

Under the pandemic, China has attracted worldwide attention for its economic and social stability. With the popularisation of vaccines and the gradual improvement of pandemic prevention systems in various countries, it is expected that the recovery of the global economy, consumption and export will accelerate, which will benefit the development of the paper making industry. The implementation of environmental protection policies such as “dual carbon” and “dual control” will also accelerate resources optimisation and integration, and help the industry pattern continuously improve.

Not afraid of challenges, we have great expectation for the future. Under the new pattern of international and domestic double circulation, the Company will deepen its principal business and gather momentum, make good use of international and domestic markets, comprehensively improve the management level and operation quality of the Company, improve the supply chain construction, enhance market recognition, strive to open a new chapter of high-quality development for the Company, and build an international reputation for China's paper making industry and even China's manufacturing industry.

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 2022

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 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 industry has been continuously optimised.

During the reporting period, the "waste ban" was fully implemented, which further escalated the importance of the transformation of the raw material structure, together with the "plastic restriction order" that spawned the demand for "replacement of plastic with paper", broadening the prospects for the white cardboard market. The successively issued "dual carbon" and "dual control" policies had put forward higher requirements for the environmental protection level of the manufacturing industry, and carbon reduction became an important issue for the sustainable development of enterprises. The global spread of mutant strains had pressed the slowdown button for the operation of the supply chain, and the prices of bulk commodities, chemical raw materials and basic energy had risen sharply, bringing new challenges to the supply chain management and cost management capabilities of enterprises.

As an overview of the paper making industry in 2021, despite the difficulties such as the tightening upstream supply chain and rising prices of various raw materials, the paper making industry still achieved rapid development. According to the data from the National Bureau of Statistics, from January to December 2021, the national output of machine-made paper and cardboard reached 135.839 million tonnes, representing a year-on-year increase of 8.833 million tonnes or 6.8%, breaking the 130 million tonnes mark for the first time and hitting a record high; among the industrial enterprises above designated size, enterprises in the paper making and paper product industry realised total profit of RMB88.48 billion, representing a year-on-year increase of 6.9%, which was better than that of the prior year in general. As an overview by stage, from January to mid-April 2021, the prices of wood pulp-based paper products such as white cardboard and cultural paper showed an upward trend; from mid-to-late April to the end of September, the price of wood pulp-based paper products signalled a downward trend until bottoming out in October, delineating an "N"-shaped route.



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. Its key indicators in respect of business and economic efficiency have been in a leading position in the industry in China for over 20 consecutive years. The Company has been on the Fortune 500 China list for 12 years. During the reporting period, the machine-made paper business is the major source of revenue and profit of the Company, and there was no significant change in the principal activities of the Company.

1. Business overview

Taking “revitalising the Chinese papermaking industry” as its mission, the Company has been adhering to the general keynote of green, low-carbon, recycling and sustainable development, and committing itself to implementing a pulp and paper integration strategy. At present, the Company has 6 production bases in Shandong, Guangdong, Hubei, Jiangxi, 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, in the face of the complex domestic and international market economic environment and various challenges against the backdrop of normalisation of epidemic prevention and control, all cadres and employees of the Company pulled together to address the difficulties, improve efficiency, reduce costs, ensure the steady progress of the Company’s production and operation, and continuously improve the operating quality and profitability of the Company. In 2021, the Company completed the production of machine-made paper of 5.50 million tonnes and achieved sales of 5.45 million tonnes. The Company realised revenue of RMB33,020 million, representing a year-on-year increase of 7.43%. Total profit and net profit attributable to equity holders of the Company were RMB2,306 million and RMB2,066 million respectively, up by 6.16% and 20.65% year on year.

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

2. Products

As a leading player in the papermaking industry of China, the Company adopts the market-oriented approach, attaches great importance to technology research and development and brand benefits, and boasts 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 cultural 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.

Category	Major brands and types	Major production companies	Range of application
Cultural 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 Wuhan 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 Wuhan Chenming 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 Wuhan Chenming	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 Wuhan Chenming	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)

3. Operation model

(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 cultural 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.

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.

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

3. Operation model *(Continued)*

(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.

4. The position of the company in the industry during the reporting period

2021 was the first year for China to build a new development pattern. In the face of multiple challenges such as the complicated and severe international environment and sporadic and repeated local pandemic outbreaks, all regions and departments strictly implemented the decisions and arrangements made by the CPC Central Committee and the State Council, scientifically coordinated pandemic prevention and control and economic and social development. China's economy experienced sustained and stable recovery, and made new achievements in high-quality development, marking a good start for the 14th Five-Year Plan. As an important basic raw material industry closely related to the national economy and social development, the paper making industry, in the first half of 2021, improved its returns significantly due to the boost of upstream raw material costs, the recovery of downstream demand and the paper product price rise. Although the overall prosperity of the paper making industry was frustrated and the profit growth rate declined since the third quarter, the paper making industry in general maintained steady growth during the reporting period. According to the data of the National Bureau of Statistics, the paper making and paper product industrial enterprises above designated size realised total profit of RMB88.48 billion, representing a year-on-year increase of 6.9%.

Focusing on the principal business of pulp production and paper making, the Company has made a strategic layout in the whole industrial chain, and built three major product bases with Shouguang in the north, Huanggang in the middle and Zhanjiang in the south. It has become the first pulp and paper integration enterprise in China with basically balanced pulp and paper production capacity, and is ranked among the top 10 in the world in terms of paper and paperboard output, commanding a leading position in the industry. The Company attaches great importance to technology research and development and product service quality, continuously develops high-grade and high value-added products, leads the market direction, and becomes the enterprise with the largest and most complete product varieties in the paper making industry, with a leading market share for its principal products in China. During the reporting period, the Company continuously promoted high-quality development, winning over 20 awards which reflected the high recognition of the Company from all walks of life, including Top 500 Chinese Enterprises, Top 500 Manufacturers in the PRC, Fortune China 500, Top 10 Enterprises in the PRC Light Industry – Paper Sector, Shandong Province High-end Brand Continuous Cultivation Enterprise, Shandong Province Governor Quality Award Nomination Award, 2021 Shandong Province Science and Technology Leading Enterprise, “Top Ten Enterprises” of Shandong Paper Association.

IV Management Discussion and Analysis

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

4. The position of the company in the industry during the reporting period *(Continued)*

In the future, the Company will remain true to its original aspiration and forge ahead, continue to focus on its principal business and strengthen the industry, and focus on the construction of Huanggang Chenming production base. It will give full play to the core advantages of its whole industrial chain layout, comprehensively improve the corporate management level and operation quality, and enhance the enterprise's ability to resist risks, so that the Company can achieve steady progress in economic benefits, have far-reaching development, and strive to build a world-class enterprise group with global competitiveness, making greater contributions to the development of the paper making industry !

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, details of which 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 supporting railway dedicated lines and docks, and constructed a comprehensive logistics service platform covering unitised transportation, 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 product range in the paper making industry. The product series include cultural paper, white paper board, coated paper, copy paper, household paper, thermal paper, etc., with each major product ranking among the best in terms of market share. Over the years, the Company has attached great importance to technology research and development, introduced the most advanced pulping and paper making technology and equipment, refined its products and promoted dynamic upgrade of products by persisting in technological innovation and work process optimisation, so as to continuously enhance the value of the brand of Chenming and improve brand benefits.

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 six production bases in Shandong, Guangdong, Hubei, Jiangxi, 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.

III. Analysis of Core Competitiveness (Continued)

5. Advantages in technical equipment

The Company highly values the introduction and upgrades of technical equipment 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. For the moment, the Company has three production lines with a paper width of more than 11 metres, which ensures 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 360 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

With a reasonable and balanced professional structure, 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 an internal corporate culture that ties in with the Company's development, summarised management experience with industry characteristics, and formed a team advantage combining management and culture, allowing it to accurately grasp the industry development trend and direction. At the same time, the Company has paid attention to the construction of a talent reserve 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 talent pool, providing solid guarantee for the Company's long-term sustainable development.

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, middle water treatment system, middle water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental indicators of the Company rank high in the country 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 middle water reuse project in the domestic paper industry. 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. 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 Management Discussion and Analysis

IV. Analysis of principal operations

1. Overview

In 2021, under the dual impacts of repeated COVID-19 outbreaks and global macroeconomic shocks, the paper making industry also staged a round of “cyclical” fluctuations, and the market price of paper products showed an “N”-shaped trend of “sharp rise – downward oscillation – bottoming out”. In terms of upstream raw materials, the pandemic disrupted the rhythm of the supply chain operations. The prices of bulk commodities such as coal and chemicals rose sharply in 2021, and shipping costs increased significantly, bringing greater cost pressure on companies. In terms of the market, the market demand for paper products undergone a phased adjustment after experiencing rapid growth in the first half of the year, and bottomed out in the fourth quarter. Nevertheless, the paper making industry in China maintained a steady development in 2021.

During the reporting period, on the premise of ensuring pandemic prevention and control work, the Company strengthened safety production, had strict control over product quality, orderly tapped the markets, consolidated scientific research strength, optimised resource deployment, improved its supply chain system, enhanced cost management, and improved regional linkage, so that the enterprise synergy effects were further improved, and the comprehensive capability was continuously reinforced. Although the corporate operation difficulty intensified due to the impact of upstream commodity supply fluctuation and downstream market demand fluctuation for paper products, the Company still presented a comparatively steady growth momentum through the implementation of the above measures to minimise the adverse effects caused by external fluctuation.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost

(1) Components of revenue

Unit: RMB

	2021		2020		Increase/ decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	33,019,812,294.14	100%	30,736,517,996.90	100%	7.43%
By industry					
Machine-made paper	29,071,777,731.50	88.04%	26,799,197,492.54	87.19%	8.48%
Construction materials	349,945,005.51	1.06%	419,138,839.41	1.36%	-16.51%
Financial leasing	327,001,050.30	0.99%	935,121,026.20	3.04%	-65.03%
Electricity and steam	303,940,594.69	0.92%	195,367,954.91	0.64%	55.57%
Hotel and property rentals	148,941,357.80	0.45%	93,370,973.05	0.30%	59.52%
Chemicals	131,104,964.35	0.40%	144,274,657.39	0.47%	-9.13%
Others	2,687,101,589.99	8.14%	2,150,047,053.40	7.00%	24.98%
By product					
White paper board	9,579,581,625.05	29.01%	7,900,414,595.22	25.70%	21.25%
Duplex press paper	7,287,152,353.07	22.07%	6,880,399,009.21	22.39%	5.91%
Coated paper	4,310,744,513.87	13.06%	4,134,523,188.76	13.45%	4.26%
Electrostatic paper	3,857,097,045.49	11.68%	4,052,403,877.82	13.18%	-4.82%
Anti-sticking raw paper	1,168,436,835.30	3.54%	1,118,932,774.91	3.64%	4.42%
Thermal paper	540,941,351.36	1.64%	519,335,040.60	1.69%	4.16%
Other machine-made paper	2,327,824,007.36	7.05%	2,193,189,006.02	7.14%	6.14%
Construction materials	349,945,005.51	1.06%	419,138,839.41	1.36%	-16.51%
Financial leasing	327,001,050.30	0.99%	935,121,026.20	3.04%	-65.03%
Electricity and steam	303,940,594.69	0.92%	195,367,954.91	0.64%	55.57%
Hotel and property rentals	148,941,357.80	0.45%	93,370,973.05	0.30%	59.52%
Chemicals	131,104,964.35	0.40%	144,274,657.39	0.47%	-9.13%
Others	2,687,101,589.99	8.14%	2,150,047,053.40	7.00%	24.98%
By geographical segment					
Mainland China	28,894,011,653.20	87.51%	27,683,360,047.76	90.07%	4.37%
Other countries and regions	4,125,800,640.94	12.49%	3,053,157,949.14	9.93%	35.13%
By sales model					
Distribution	21,812,237,365.81	66.06%	19,689,343,007.56	64.06%	10.78%
Direct sales	11,207,574,928.33	33.94%	11,047,174,989.34	35.94%	1.45%

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	29,071,777,731.50	22,238,585,916.66	23.50%	8.48%	4.76%	2.71%
By product						
White paper board	9,579,581,625.05	6,540,978,628.51	31.72%	21.25%	13.47%	4.68%
Duplex press paper	7,287,152,353.07	6,004,341,245.63	17.60%	5.91%	6.12%	-0.16%
Coated paper	4,310,744,513.87	3,130,491,004.15	27.38%	4.26%	-3.78%	6.07%
Electrostatic paper	3,857,097,045.49	3,140,962,690.62	18.57%	-4.82%	-1.74%	-2.56%
By geographical segment						
Mainland China	28,894,011,653.20	21,524,347,994.37	25.51%	4.37%	2.16%	1.62%
Other countries and regions	4,125,800,640.94	3,697,927,800.91	10.37%	35.13%	43.57%	-5.27%
By sales model						
Distribution	21,812,237,365.81	16,685,368,166.13	23.50%	10.78%	6.99%	2.71%
Direct sales	11,207,574,928.33	8,536,907,629.15	23.83%	1.45%	6.05%	-3.30%

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	2021	2020	Increase/ decrease
Machine-made paper	Sales	'0,000 tonnes	545	561	-2.85%
	Production output	'0,000 tonnes	550	577	-4.68%
	Inventories	'0,000 tonnes	45	40	12.50%

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	2021	% of	2020	% of	Increase/ decrease
		Amount	operating costs	Amount	operating costs	
Machine-made paper	Raw materials	13,347,618,450.08	60.02%	12,830,708,837.34	60.44%	4.03%
	Chemicals	2,762,896,811.85	12.42%	2,571,910,928.88	12.12%	7.43%
	Energy and power	2,796,822,991.34	12.58%	2,278,028,439.77	10.73%	22.77%
	Shipping fee	986,623,212.89	4.44%	1,108,102,345.78	5.22%	-10.96%
	Depreciation	926,703,946.26	4.17%	1,024,679,469.64	4.83%	-9.56%
	Labour costs	284,597,722.29	1.28%	273,064,171.97	1.29%	4.22%
	Other production costs	1,133,322,781.95	5.10%	1,140,961,560.11	5.37%	-0.67%
	Subtotal	22,238,585,916.66	100.00%	21,227,455,753.49	100.00%	4.76%
Power and steam	Raw materials	198,834,959.40	76.47%	100,417,013.28	76.99%	98.01%
	Depreciation	19,199,537.95	7.38%	11,986,604.72	9.19%	60.17%
	Labour costs	6,844,347.79	2.63%	5,042,260.92	3.87%	35.74%
	Energy and power	25,124,584.80	9.66%	5,424,201.15	4.16%	363.19%
	Chemicals	746,078.65	0.29%	197,996.81	0.15%	276.81%
	Other production costs	9,269,615.37	3.56%	7,367,419.47	5.65%	25.82%
	Subtotal	260,019,123.96	100.00%	130,435,496.35	100.00%	99.35%
Construction materials	Raw materials	222,297,889.45	70.37%	253,136,606.53	70.56%	-12.18%
	Energy and power	32,115,179.94	10.17%	40,584,938.35	11.31%	-20.87%
	Labour costs	14,568,778.00	4.61%	22,635,978.10	6.31%	-35.64%
	Depreciation	9,626,644.95	3.05%	10,376,987.54	2.89%	-7.23%
	Shipping fee	14,416,949.06	4.56%	9,368,706.78	2.61%	53.88%
	Other production costs	22,887,012.53	7.24%	22,626,450.43	6.31%	1.15%
	Subtotal	315,912,453.93	100.00%	358,729,667.72	100.00%	-11.94%

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 reporting period, 6 companies were added to the scope of consolidation. In particular, 5 companies were newly established subsidiaries, namely Shanghai Chenyin Trading Co., Ltd., Nanchang Shengheng Trading Co., Ltd., Nanchang Kunheng Trading Co., Ltd., Weifang Chendu Equity Investment Partnership (Limited Partnership) and Huanggang Chenming Pulp & Fiber Trading Co., Ltd. During the reporting period, a subsidiary was acquired not within the definition of business, namely Wuhan Junheng Property Management Co., Ltd.

During the reporting period, 7 companies were reduced from the scope of consolidation. In order to further focus on the principal business of pulp production and paper making, divest non-principal business assets and optimise resource allocation, the Company disposed of 100% equity interest in Zhanjiang Chenming New-style Wall Materials Co., Ltd., Chengdu Chenming Culture Communication Co., Ltd., Shandong Chenming Power Supply Holdings Co., Ltd., Shandong Chenming Panels Co., Ltd., Shouguang Chenming Cement Co., Limited and Shouguang Chenming Floor Board Co., Ltd. Such companies were excluded from the scope of consolidation. A subsidiary, Shandong Chenming Coated Paper Sales Co. Ltd., was absorbed into the Group.

(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)	5,259,350,805.45
Total sales to top 5 customers as a percentage of the total sales for the year	15.93%
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	1,343,002,399.70	4.07%
2	Customer B	1,032,917,716.77	3.13%
3	Customer C	977,311,240.64	2.96%
4	Customer D	976,565,580.69	2.96%
5	Customer E	929,553,867.65	2.82%
Total	—	5,259,350,805.45	15.93%

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)	4,691,196,028.43
Total purchases from top 5 suppliers as a percentage of the total purchases for the year	18.60%
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	2,413,919,229.39	9.57%
2	Supplier B	815,678,586.65	3.23%
3	Supplier C	542,935,665.28	2.15%
4	Supplier D	476,972,812.83	1.89%
5	Supplier E	441,689,734.27	1.75%
Total	—	4,691,196,028.43	18.60%

Other explanation of the major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

	2021	2020	Increase/ Decrease (%)	Reasons for material changes
Selling and distribution expenses	293,509,692.51	298,246,355.91	-1.59%	Sales commission decreased year on year during the reporting period.
General and administrative expenses	942,360,735.54	1,025,420,660.39	-8.10%	Expenses on strengthening the control over various administrative expenses during the reporting period.
Finance expenses	2,387,471,286.46	2,562,065,063.22	-6.81%	Interest expenses of the Company decreased year on year during the reporting period.
Research and development expenditure	1,453,766,371.46	1,274,355,241.49	14.08%	The Company and its subsidiaries stepped up efforts in research and development during the reporting period.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

4. Research and development expenditure

√ Applicable □ Not applicable

During the reporting period, the Company's technological R&D centre was always guided by customers' needs. Improving economic benefits was its goal. The Company kept pushing technological innovations, the production of products with high added value, and technological optimisation, aiming to improve its product quality. In 2021, the Company obtained 59 patents. The "Technological Development of Coated Paper for High-end Books and Periodicals" was included in the technological innovation project plans of Shandong Province for 2021. The project "Key Technologies and Industrialisation of Green Preparation and High-value Utilisation of High-Performance Wood Chemical Pulp" won the second prize of the National Science and Technology Progress Award, which promoted the green production of the paper industry. The Company will continue adhering to the orientation of technological innovation, and improve its R&D and product quality in a sustained way, aiming to take its core competence in developing the enterprise to a higher level.

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 low-weight and high-bulk duplex press 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 low-weight and high-bulk thin paper	Saving raw materials	Pilot testing stage	To become domestically leading	Lowering production costs and improving the Company's economic benefits.
Technological development of chemical mechanical pulp prepared by co-processing hydrothermal mixed wide leaves and biologicals	Reducing energy consumption or improving energy efficiency	Industrialisation stage	To become domestically leading	Improving the quality of raw material products so that they can be applied in high-end products with high added values and increasing the proportion of the Company's high-end products.
Technological development of white paper board with natural colour in the core layer	Enhancing product functionality or improving performance	Small testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
New technology development for AKD sizing of electrostatic 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 embossed high-end napkin	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 coated paper for high-end books and periodicals	Enhancing product functionality or improving performance	Small testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

4. Research and development expenditure (Continued)

R&D personnel of the Company

	2021	2020	Percentage of change
R&D headcount	1,900	1,933	-1.71%
Ratio of R&D personnel	15.45%	15.16%	0.29%
Academic background of R&D personnel	-	-	-
Bachelor's degree	185	198	-6.57%
Master's degree	11	9	22.22%
Age composition of R&D personnel	-	-	-
Under 30	387	423	-8.51%
30~40 years old	1,034	1,079	-4.17%

Research and development expenditure of the Company

	2021	2020	Percentage of change
R&D expenditure (RMB)	1,453,766,371.46	1,274,355,241.49	14.08%
R&D expenditure to revenue	4.40%	4.15%	0.25%
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	2021	2020	Increase/ decrease (%)
Subtotal of cash inflows from operating activities	39,306,294,223.43	40,142,770,644.64	-2.08%
Subtotal of cash outflows from operating activities	30,724,406,030.79	28,882,967,968.36	6.38%
Net cash flows from operating activities	8,581,888,192.64	11,259,802,676.28	-23.78%
Subtotal of cash inflows from investing activities	1,321,827,995.68	800,515,222.13	65.12%
Subtotal of cash outflows from investing activities	1,156,106,779.05	981,555,028.94	17.78%
Net cash flows from investing activities	165,721,216.63	-181,039,806.81	191.54%
Subtotal of cash inflows from financing activities	33,237,001,445.83	31,654,325,203.77	5.00%
Subtotal of cash outflows from financing activities	43,177,497,483.93	41,248,363,106.56	4.68%
Net cash flows from financing activities	-9,940,496,038.10	-9,594,037,902.79	-3.61%
Net increase in cash and cash equivalents	-1,220,254,116.77	1,498,841,936.38	-181.41%

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 23.78% as compared to the corresponding period of the prior year mainly because the net cash received during the reporting period decreased year-on-year with the reduction of the scale of the financial leasing business.
- (2) Net cash flows from investing activities increased by 191.54% as compared to the corresponding period of the prior year mainly because Chenming GDR Fund, a subsidiary, recovered its investment of RMB200 million in Chenrong GDR Fund, and Huanggang Chenming disposed of RMB164 million of land during the reporting period, leading to a year-on-year increase in cash inflows from investment activities.

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

V. Analysis of non-principal operations

Applicable Not applicable

IV Management Discussion and Analysis

VI. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	As of the end of 2021		As of the beginning of 2021		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	14,119,782,939.66	17.04%	17,759,537,598.98	19.39%	-2.35%	Mainly due to the year-on-year decrease of the Company's existing financing deposits at the end of the reporting period.
Inventories	5,282,631,922.12	6.38%	5,135,293,347.82	5.61%	0.77%	Mainly due to the increase in the Company's inventory of finished goods at the end of the reporting period.
Non-current assets due within one year	5,216,934,172.61	6.30%	4,222,744,207.34	4.61%	1.69%	Mainly due to the increase in long-term receivables due within one year at the end of the reporting period.
Other current assets	1,903,929,492.85	2.30%	2,716,918,695.85	2.97%	-0.67%	Mainly due to continued reduction of the scale of the financial leasing business during the reporting period.
Long-term receivables	1,788,759,975.35	2.16%	4,658,884,857.95	5.09%	-2.93%	Mainly due to the reclassification of long-term receivables due within one year at the end of the reporting period.
Investment properties	6,473,538,431.91	7.81%	5,943,159,568.00	6.49%	1.32%	Mainly due to the merger of Wuhan Junheng during the reporting period, which resulted in the increase of investment properties.
Long-term equity investments	1,866,587,685.35	2.25%	3,906,158,402.45	4.27%	-2.02%	Mainly due to the application of the new financial instrument standards by Guangdong Nanyue Bank, an investee of the Company, at the end of the reporting period.
Fixed assets	35,653,492,676.15	43.04%	37,651,706,658.97	41.12%	1.92%	Mainly due to the Company's disposal of certain non-principal business assets during the reporting period.
Short-term borrowings	33,523,025,186.22	40.47%	32,793,992,957.86	35.81%	4.66%	Mainly due to the increase in the size of short-term debts at the end of the reporting period.
Contract liabilities	1,382,289,597.54	1.67%	1,051,147,044.74	1.15%	0.52%	Mainly due to the increase in customer prepayments at the end of the reporting period.
Long-term borrowings	5,276,340,154.98	6.37%	8,077,150,979.15	8.82%	-2.45%	Mainly due to the maturity of the Company's project loans and property loans 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	Additions/purchases during the period	Recovery/disposal during the period	Other changes	Closing balance
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	192,907,800.62	-82,021,617.74	-84,798,634.27					110,886,182.88
2. Other non-current financial assets	145,910,000.00	1,600,000.00	57,510,000.00		396,000,000.00	23,582,996.75		519,927,003.25
3. Consumable biological assets measured at fair value	1,535,386,865.44	-41,899.05	20,060,762.93		28,750,027.63	44,789,143.25		1,519,305,850.77
Total	1,874,204,666.06	-80,463,516.79	-7,227,871.34	-	424,750,027.63	68,372,140.00	-	2,150,119,036.90

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

Item	Carrying amount as at the end of the period	Reasons for such restriction
Monetary funds	10,756,936,714.59	As deposits for bank acceptance bills and letters of credit, deposit reserves, etc.
Bills receivable/accounts receivable financing	3,778,108.58	As collateral for letters of guarantee and letters of credit
Accounts receivable	232,200,000.00	As collateral for borrowings
Held-for-trading financial assets	55,443,091.44	As deposits for borrowings from CMB International Securities
Fixed assets	12,866,125,795.19	As collateral for bank borrowings and long-term payables
Intangible assets	1,210,395,050.42	As collateral for bank borrowings and long-term payables
Investment properties	5,033,765,366.00	As collateral for bank borrowings
Total	30,158,644,126.22	—

IV Management Discussion and Analysis

VII. Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
1,707,210,000.00	1,940,190,000.00	-12.01%

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 (if any)	Disclosure index (if any)
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Equity investment and related consulting services	Capital increase	627,210,000.00	79.00%	Self-owned funds	Weifang Hengxin Capital Management Co., Ltd., Weifang Financial Holding Group Co., Ltd., etc.	Operating period of 7 years, subject to extension of 2 years after maturity	Equity investment	Completed	N/A	14,761,352.08	No	26 August 2020 26 June 2021	http://www.cninfo.com.cn
Weifang Chendu Equity Investment Partnership (Limited Partnership)	Engaging in investment activities	Newly established	255,000,000.00	79.69%	Self-owned funds	Guodo Venture Capital Co., Ltd. and Chenming (Qingdao) Asset Management Co., Ltd.	Investment operation period of 3 years, automatic extension upon maturity	Equity investment	Completed	N/A	-1,833,424.35	No	26 June 2021	http://www.cninfo.com.cn
Nanchang Shengheng Trading Co., Ltd.	Sales of pulp, non-residential real estate leasing	Newly established	10,000,000.00	100.00%	Self-owned funds	Subsidiary	Long-term	Trading	Completed	N/A	-11,331,824.00	No	N/A	N/A
Nanchang Kunheng Trading Co., Ltd.	Sales of pulp, non-residential real estate leasing	Newly established	10,000,000.00	100.00%	Self-owned funds	Subsidiary	Long-term	Trading	Completed	N/A	-5,191,218.11	No	N/A	N/A
Shanghai Chenyin Trading Co., Ltd.	Sales of pulp, sales of paper products	Newly established	210,000,000.00	51.00%	Self-owned funds	Shanghai Xuenai Industrial Co., Ltd.	Long-term	Sales of pulp	Completed	N/A	-300.00	No	N/A	N/A
Wuhan Junheng Property Management Co., Ltd.	Leasing of self-owned houses, property services	Acquisition	595,000,000.00	100.00%	Self-owned funds	Subsidiary	Long-term	Leasing and property services	Completed	N/A	0.00	No	N/A	N/A

IV Management Discussion and Analysis

VII. 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 accounts	Source of funds
Domestic and foreign shares	09668	China Bohai Bank	195,684,817.15	Measured at fair value	192,907,800.62	-82,021,617.74	-84,798,634.27	0.00	0.00	-82,021,617.74	110,886,182.88	Held-for-trading financial assets	Self-owned funds and borrowings
Total			195,684,817.15		192,907,800.62	-82,021,617.74	-84,798,634.27	0.00	0.00	-82,021,617.74	110,886,182.88		

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

The Company did not dispose any material assets during the reporting period.

2. Disposal of material equity interest

Applicable Not applicable

Counterparty(ies)	Equity interest disposed of	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 equity disposal as a percentage of total net profit (%)	Pricing basis of disposal of equity interest	Related party transaction or not	Relationship with counterparty(ies)	Relevant asset title fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken	Disclosure date	Disclosure index
Zhanjiang Junchen Trading Co., Ltd.	Zhanjiang Chenming New-style Wall Materials Co., Ltd.	1 January 2021	1,258.00	67.66	Beneficial for resources integration of the Company, asset portfolio optimisation, and concentration of competitive edges on principle businesses to improve quality and efficiency	0.03%	Appraised value	No	Not related party	Yes	Transfer completed	Not applicable	Not applicable
Jinan Kunhe Trading Co., Ltd.	Chengdu Chenming Culture Communication Co., Ltd.	30 September 2021	1,104.00	221.53		0.11%	Appraised value	No	Not related party	Yes	Transfer completed	Not applicable	Not applicable
Shandong Daienmeng Trading Co., Ltd.	Shandong Chenming Power Supply Holdings Co., Ltd.	30 September 2021	29,800.00	11,026.25		5.28%	Appraised value	No	Not related party	Yes	Transfer completed	Not 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 paper board	5,765,833,333.00	24,616,085,934.98	7,712,328,762.92	13,110,229,643.09	1,250,425,083.79	1,093,678,580.62
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper, cultural paper, household paper and chemical pulp	4,801,045,519.00	17,670,520,791.10	8,308,079,024.35	8,705,143,361.05	260,755,737.63	245,313,174.65
Huanggang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of chemical pulp	2,850,000,000.00	7,424,304,841.11	2,888,611,886.17	2,534,006,692.38	248,006,384.94	240,671,319.34

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
Shanghai Chenyin Trading Co., Ltd.	Newly established	Net profit decreased by RMB300.
Nanchang Shengheng Trading Co., Ltd.	Newly established	Net profit decreased by RMB11.33 million.
Nanchang Kunheng Trading Co., Ltd.	Newly established	Net profit decreased by RMB5.19 million.
Weifang Chendu Equity Investment Partnership (LLP)	Newly established	Net profit decreased by RMB1.83 million.
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	Newly established	There were few business operations and no impact at the moment
Wuhan Junheng Property Management Co., Ltd.	Acquisition	There were few business operations and no impact at the moment
Shandong Chenming Coated Paper Sales Co. Ltd	Merger	Net profit increased by RMB0.07 million.
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Transfer of 100% equity interest	Net profit increased by RMB0.68 million.
Chengdu Chenming Culture Communication Co., Ltd.	Transfer of 100% equity interest	Net profit increased by RMB2.22 million.
Shandong Chenming Power Supply Holdings Co., Ltd.	Transfer of 100% equity interest	
Shandong Chenming Panels Co., Ltd.	Transfer of 100% equity interest	
Shouguang Chenming Cement Co., Limited	Transfer of 100% equity interest	Net profit increased by RMB110.26 million.
Shouguang Chenming Floor Board Co., Ltd.	Transfer of 100% equity interest	

Particulars of major subsidiaries and investees

- For the integrated forestry, pulp and paper project of Zhanjiang Chenming, the gross profit margin of its main products, white paper board and cultural paper, reached a high level, showing strong profitability.
- For the integrated forestry, pulp and paper project of Shouguang Meilun, the gross profit margin of its main products, coated paper and cultural paper, reached a high level, showing strong profitability.
- During the reporting period, the 600,000-tonne chemical wood pulp project of Huanggang Chenming gradually achieved profitability.

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 paper making industry has gradually begun to transform from extensive growth to intensive growth. In general, China's industrial economy continuously recovered steadily in 2021, and the production and operation of paper making enterprises were smoothly. During the reporting period, the "waste ban" was fully implemented, which further escalated the importance of the transformation of the raw material structure. The "plastic restriction order" that spawned the demand for "replacement of plastic with paper" broadened the prospects for the white cardboard market has a broader prospect. The successively issued "dual carbon" and "dual control" policies had put forward higher requirements for the environmental protection level of the manufacturing industry, and carbon reduction became an important issue for the sustainable development of manufacturing enterprises. With the spread of overseas pandemic outbreaks and the sporadic and repeated local pandemic outbreaks, the prices of commodities, chemical raw materials, and basic energies rose sharply, and the supply chain management and cost management capabilities of enterprises were facing new challenges. The price of paper products in the downstream market was further consolidated along the N-shaped trend of "rising-falling-bottoming out".

According to the national strategy of "dual circulation" and the goal that by 2035 China per capita GDP will reach the level of moderately developed countries, as well as the experience of developed countries, the future paper market demand in China will still increase greatly, and the industry still has a large scope for development. In the context of the accelerated restructuring of the international economic and political landscape, the only way to the pursuit of sustainable development is to insist on promoting the high-quality development of the industry in an all-round way, regain the initiative, turn difficulties and challenges into opportunities, and further enhance the comprehensive competitiveness of China's paper making industry. Urgent actions are needed to prevent global warming, resource barriers are yet to be broken, supply chain security is in urgent need, and people's yearning for a better life should be satisfied. At this particular moment, constant energy conservation and emission reduction, optimising raw material structure, securing supply chain security, and improving product and service quality will become the focus and new trends in the sustainable development in the industry. Driven by the policy focusing on supply-side structural reform, low-end backward production capacity will be eliminated in an accelerated way and the industry structure is expected to continue its optimisation, and the major enterprises will have a greater say in the market and the returns on high-quality industrial development in the long run.

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 2022

In 2022, the Company will continue to adhere to the general keynote of seeking progress while maintaining stability, resolutely and thoroughly implement the new management concept of “people-orientation, refined management, problem-orientation, and practical work”, thus generally demonstrating the spirit of responsibility and accountability, and make every effort with greater determination and practical measures to accelerate the implementation of supply chain management, production management, sales management, financial management and corporate management, so as to comprehensively improve the level of corporate management and operating quality, effectively strengthen team building, enhance comprehensive management capabilities, solidify basic management, apply a firmer grip on systematic and procedural early warning, and focus on efficiency-oriented management, thereby ensuring continuous and stable growth of corporate economic benefits and creating a new landscape of high-quality corporate development.

1. Adhere to market-oriented operation with higher prices and greater benefits

In 2022, the Company will continuously adopt a market-oriented approach and remain strict adherence to higher prices and greater benefits. It will strengthen the adjustment to the product structure, and formulates measures to boost the sales volume of high margin products, thus ensuring rapid increase in sales volume and achieving steady delivery. The Company will leverage the advantages of its self-produced pulp to facilitate the development of its household paper business, so as to realise higher sales volume and efficiency of finished paper. It will put more effort in the development of new products overseas, especially high-weight coated paper, coated linerboard, special paper for masks, beige micro-coated paper and other new varieties.

2. Strengthen financial management and optimise financial indicators

Faced with complicated economic situation, the Company will further strengthen the credit management, reasonably plan the short, medium and long term financing and expand the equipment financing channels and revitalise fixed assets. The Company will proactively introduce strategic investors and promote refinancing and other equity financing projects in due course, continuously reduce the size of its financial leasing business, and reduce the Company’s gearing ratio. The Company will conduct strict fund management, balance revenue and expenditure, and ensure fund security; make reasonable tax planning and implement preferential tax policies; reduce the scale of liabilities, replace high-cost financing, and lower financial expenses.

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

(iii) Operation plans for 2022 (*Continued*)

3. Enhance production management and achieve quality and efficiency improvement

Refined management will be implemented in production systems to generally demonstrate the spirit of responsibility and accountability and enable the production management to make greater progress. The upgrade and transformation of paper making machines of Zhanjiang Chenming, pulp production lines of Huanggang Chenming and paper making machines of Shouguang headquarters will be implemented to increase the pulp and paper production capacity, thus providing a new source of growth in benefits. The Company will step up research and development efforts to develop new products with high added value on a market-oriented basis, and optimise its product structure and the slurry rate to save production costs. It will strengthen equipment management to realise spare parts managed by SAP, thus reducing the funds appropriated by spare part inventory. The Company will push waste heat power generation powered by chemical pulp in Shouguang, Zhanjiang and Huanggang, and the photovoltaic power generation project of Shougang Chenming forward. The steam out of mechanical pulp production lines will be recycled for use to increase benefits. The Company will pay close attention to the safety and environmental protection work, implement the construction of a dual safety management system of safety risk control and hidden danger inspection under the background of the “dual carbon” and “dual control” policies, and strengthen the management on waste water, exhaust gas and solid waste to ensure compliance with stable emission standards, strengthen the management and control of clean water use, increase the amount of white water reuse, stably operate the membrane treatment system, and achieve energy saving and consumption reduction.

4. Optimise supply chain management and reduce procurement costs

The Company will continue to focus on efficiency, pay close attention to market changes, make full use of market conditions to seize the timing of procurement and ensure procurement efficiency. At the same time, it will refine supplier classification management and evaluation to improve cooperation levels. It will realise mechanical control at management points such as inventory funds, contract execution, over-consumption of chemicals, committed life, provisional valuation and coal acceptance and settlement, improve mechanical control efficiency and strictly control capital occupation. The Company will strengthen futures market research, actively utilise futures tools to optimise raw material pricing, prevent price risks, and achieve futures pricing benefits. It will continue to improve the construction of information systems, build information platforms, and realise resource sharing.

5. Strengthen the internal management and improve the management level

In 2022, the Company will continue to strengthen the system construction and supervision, timely revise and improve the system process according to the problems arising from the production and operation process. The Company will enhance performance appraisal and timely optimise and improve the appraisal plan in light of the working priority in various stages. The Company will strengthen the function demonstration of vertical management personnel, improve management efficiency, conduct monthly evaluation, reward and punishment according to the completion of corporate management work of subsidiaries, and organise job rotation according to the work situation, so as to achieve multiple capabilities in one post.

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

(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 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.

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 strived to improve its forecasting ability, in order to minimise the impact of fluctuations in raw material prices on the Company.

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 on 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, Chenming Leasing continues to implement the business strategy of continuous reduction, with a reduction of the scale of the financial leasing business by RMB2.2 billion in 2021, which effectively put risk exposures under control.

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
31 March 2021	Meeting room of the Company and production plant	Field research	Institutions, individuals and media	Guotai Anbao Fund, Northeast Securities, Orient Securities, Dongxing Securities, minority shareholders, Securities Times, etc.	Company's main operating conditions, business conditions, project progress, etc.	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
31 March 2021	Panorama • Interactive Platform for Investors Relationship	Others	Individuals and institutions	Investors participating in the 2020 annual results briefing of the Company	Company and industry overview, the Company's 2020 operating results and future prospects, project progress, etc.	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
19 April 2021	Meeting room of the Company	Conference call	Institutions	Essence Fund, Bosera Fund, Northeast Securities, China AMC, etc.	Company's main operating conditions, business conditions, industry outlook, etc.	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
20 April 2021	Meeting room of the Company	Conference call	Institutions	Zheshang Securities, Wanjia Fund, Huatai Insurance, CPIC Fund, etc.	Company's main operating conditions, business conditions, project progress, redemption of Preference Shares, etc.	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
16 November 2021	Panorama • Roadshow platform	Others	Individuals and institutions	Investors who participated in the 2021 Investor Online Collective Reception Day of Listed Companies in Shandong	Corporate governance, development strategy, operating status, etc.	Panorama • Roadshow http://rs.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 2021.

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 2021.

III. Dividends

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 2021 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 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 11 May 2022 (the “AGM”).

IV. Closure of register of members

The register of members of the Company will be closed from 5 May 2022 (Thursday) to 11 May 2022 (Wednesday) (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 11 May 2022 (Wednesday), 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 4 May 2022 (Wednesday).

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 RMB1,142,550.00 (2020: RMB8,922,077.88) 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 2021.

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 2021.

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 Companies Law. As at 31 December 2021, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB9,676,329,673.78 (2020: RMB10,465,721,088.71) as set out in "II. Financial Statements 1. Consolidated Balance Sheet" under section XII "Financial Report".

XII. Directors

As at 31 December 2021, the Directors of the Company were:

1. Executive Directors

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

2. Non-executive Directors

Mr. Han Tingde
Mr. Li Chuanxuan

3. Independent Non-executive Directors

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

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 2019 to June 2022. They may be re-elected for another term upon expiry of tenure.

XIII. Directors' and Supervisors' service contracts

All Directors and Supervisors have entered into service contracts with the Company for a term from 11 June 2019 to 11 June 2022.

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.

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 2021, 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	2
4.0 million to 4.8 million	
3.6 million to 4.0 million	
3.2 million to 3.6 million	1
2.8 million to 3.2 million	2
2.4 million to 2.8 million	
2.0 million to 2.4 million	1
1.6 million to 2.0 million	2
1.2 million to 1.6 million	
0.8 million to 1.2 million	3
Below 0.8 million	13

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.

XVI. Securities interests held by Directors, Supervisors and Chief Executives

As at 31 December 2021, 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:

Associated corporations

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 1)	Chairman	31,080,044
Hu Changqing	Executive Director and Vice Chairman	5,042,857
Li Xingchun	Executive Director and Vice Chairman	5,000,000
Li Feng	Executive Director	3,906,027
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	–
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. As a result, the 231,000,000 shares in Chenming Holdings (approximately 18.65% of the total share capital of Chenming Holdings) held by Shouguang Henglian is also deemed to be held by Chen Hongguo.

XVI. Securities interests held by Directors, Supervisors and Chief Executives (*Continued*)

Save as disclosed above, as at 31 December 2021, 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 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 2021, 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 2021, 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)	15.32	26.14
Chenming Holdings (Hong Kong) Limited	210,717,563 B shares (L)	7.06	29.83
Chenming Holdings (Hong Kong) Limited	153,414,000 H shares (L)	5.14	29.04

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

Save as disclosed above, as at 31 December 2021, 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 and Mr. Li Feng, all being Directors, were granted 20 million shares, 5 million shares, 5 million shares and 3 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. Preference shares

Please refer to section X "Preference Shares" for details of the issue of Preference Shares of the Company.

XXIII. 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 2021.

XXIV. 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.

XXV. Material matters

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

XXVI. Future development

Please refer to "(I) Overview and trends of the industry", "(II) Development strategy of the Company", "(III) Operating plan for 2022" 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.

XXVII. Environment, social and governance report and social responsibility

Please refer to section VII "Environment and social responsibility" for details of fulfilment of social responsibility. Please refer to the environment, social and governance report as required by the Hong Kong Listing Rules, which will be issued separately by the Company before 31 May 2022.

XXVIII. Purchase, sale and redemption of shares

During the reporting period, the Company redeemed 45 million Preference Shares. Please refer to relevant content of section X "Preference Shares".

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.

XXIX. 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 has maintained a sufficient prescribed amount of public float as required under the Hong Kong Listing Rules.

XXX. Review of the Audit Committee

The audited consolidated financial statements of the Company for the year ended 31 December 2021 has been reviewed by the Audit Committee of the Company.

XXXI. Gearing ratio

As at 31 December 2021, the Company's gearing ratio (including minority interest) was 61.57%, representing an increase of 0.70 percentage point from 60.87% for 2020.

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).

XXXII. 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 six 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 2021, the Company realised revenue of RMB33,020 million, net profit of RMB2,090 million and net cash inflows from operating activities of RMB39,306 million.

In compiling the accounts for the year ended 31 December 2021, 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 2021 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.

XXXIII. Connected Transactions

As of the years ended 31 December 2021, the Group did not enter into any connected transaction required under the Listing Rules of the Stock Exchange.

XXXIV. Major Investment, Acquisition and Disposal

During the year ended 31 December 2021, the Group entered into the following major transaction agreements.

1. Entering into capital contribution agreement for introducing investors to contribute capital to Shouguang Meilun

On 25 June 2021, the Company, Weifang Chenrong New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited Partnership), Dongxing Securities Investment Co., Ltd., Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership, CCB Financial Asset Investment Co., Ltd., SWSC Innovation Investment Co., Ltd. and Shouguang Meilun entered into the Capital Contribution Agreement., pursuant to which CCB Investment and SWSC Innovation Investment Co., Ltd. agreed to contribute capital to Shouguang Meilun in accordance with the terms and conditions of the Capital Contribution Agreement in aggregate amount of RMB1,600,000,000. Please refer to the announcement of the Company dated 25 June 2021.

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 requirement of Companies Law (《公司法》), Securities Law (《證券法》), Code of Corporate Governance for Listed Companies (《上市公司治理準則》), 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 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 China Securities Regulatory Commission 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 9 Directors, of which 3 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 11 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 supervisors of the Supervisory Committee of the Company has a total of 5 supervisors, including 3 shareholder supervisors and 2 employee supervisors. During the reporting period, the Supervisory Committee of the Company held a total of 4 meetings. The Supervisory Committee strictly followed the requirement of relevant laws and regulations including the Companies 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 150 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 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.

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 Companies 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	Meeting Resolution
2021 first extraordinary general meeting	Extraordinary general meeting	24.42%	9 March 2021	10 March 2021	http://www.cninfo.com.cn (announcement no.: 2021-018)
2021 first class meeting for holders of domestic-listed shares	Class meeting	25.11%	9 March 2021	10 March 2021	
2021 first class meeting for holders of overseas-listed shares	Class meeting	21.43%	9 March 2021	10 March 2021	
2020 annual general meeting	Annual general meeting	23.09%	18 June 2021	19 June 2021	http://www.cninfo.com.cn (announcement no.: 2021-044)
2021 second extraordinary general meeting	Extraordinary general meeting	20.45%	13 December 2021	14 December 2021	http://www.cninfo.com.cn (announcement no.: 2021-099)

2. Extraordinary general meeting requested by holders of the Preference Shares with voting right restored

Applicable Not applicable

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		Restricted shares to be granted (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
							at the beginning of the period (shares)	Share Option						
Chen Hongguo	Chairman	In office	M	57	6 September 2001	11 June 2022	31,080,044	0	0	0	0	0	31,080,044	N/A
Hu Changqing	Vice Chairman	In office	M	56	23 June 2018	11 June 2022	5,042,857	0	0	0	0	0	5,042,857	N/A
Li Xingchun	Vice Chairman	In office	M	56	11 June 2019	11 June 2022	5,000,000	0	0	0	0	0	5,000,000	N/A
Li Feng	Director	In office	M	48	19 June 2020	11 June 2022	3,906,027	0	0	0	0	0	3,906,027	N/A
	General manager	Dismissed			9 November 2019	8 August 2021		0	0	0	0	0		N/A
Han Tingde	Director	In office	M	53	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
Li Chuanxuan	Director	In office	M	44	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
Sun Jianfei	Independent Director	In office	M	49	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
	Director													
Yin Meiqun	Independent Director	In office	F	51	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
	Director													
Yang Biao	Independent Director	In office	M	42	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
	Director													
Li Kang	Supervisor	In office	F	40	27 July 2020	11 June 2022	149,300	0	0	0	0	0	149,300	N/A
Pan Ailing	Supervisor	In office	F	57	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
Zhang Hong	Supervisor	In office	F	57	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
Qiu Lanju	Supervisor	In office	F	48	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
Sang Ailing	Supervisor	In office	F	43	19 April 2021	11 June 2022	0	0	0	0	0	0	0	N/A
Chen Gang	General manager	In office	M	49	8 August 2021	11 June 2022	1,139,700	0	0	0	0	0	1,139,700	N/A
	Deputy general manager													
Li Xueqin	Deputy general manager	In office	F	56	18 March 2003	11 June 2022	3,861,322	0	0	0	0	0	3,861,322	N/A
Li Weixian	Deputy general manager	In office	M	40	6 November 2019	11 June 2022	2,240,200	0	0	0	0	0	2,240,200	N/A
Li Zhenzhong	Deputy general manager	In office	M	48	20 March 2011	11 June 2022	2,113,000	0	0	0	0	0	2,113,000	N/A
Dong Lianming	Financial controller	In office	M	47	12 October 2018	11 June 2022	1,069,600	0	0	0	0	0	1,069,600	N/A
Yuan Xikun	Secretary to the Board	In office	M	36	16 May 2018	11 June 2022	344,700	0	0	0	0	0	344,700	N/A
Chu Hon Leung	Hong Kong company secretary	In office	M	39	11 June 2019	11 June 2022	0	0	0	0	0	0	0	N/A
Li Xingui	Supervisor	Resigned	M	57	11 June 2019	19 April 2021	0	0	0	0	0	0	0	N/A
Zhao Xuegang	Deputy general manager	Dismissed	M	49	11 June 2019	25 March 2021	0	0	0	0	0	0	0	N/A
	Deputy general manager													
Geng Guanglin	Deputy general manager	Dismissed	M	48	11 June 2019	9 July 2021	2,716,950	0	0	0	0	0	2,716,950	N/A
Total							58,663,700	0	0	0	0	0	58,663,700	

During the reporting period, did any directors and supervisors resign and was any members 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*)

During the reporting period, Mr. Li Xinggui, the staff representative Supervisor of the Company, resigned from the position of staff supervisor due to work adjustment, and continued to serve in the Company after his resignation. Mr. Li Feng, a Director and the general manager of the Company, resigned from the position of the general manager due to the expiry of the term of rotation, and continued to serve as a Director of the Company after his resignation. Mr. Zhao Xuegang and Mr. Geng Guanglin, deputy general managers of the Company, resigned from their position as deputy general managers of the Company due to personal reasons, and no longer held any position in the Company after their resignation.

Changes of Directors, Supervisors and Senior Management of the Company

Applicable Not applicable

Name	Position	Type	Date	Reason
Li Xinggui	Supervisor	Resigned	19 April 2021	Resignation from the office of Supervisor of the Company due to work adjustment.
Li Feng	General manager	Dismissed	8 August 2021	Expiry of the term of rotation.
Zhao Xuegang	Deputy general manager	Dismissed	25 March 2021	Resignation from the position of deputy general manager of the Company for personal reasons.
Geng Guanglin	Deputy general manager	Dismissed	9 July 2021	Resignation from the position of deputy general manager of the Company for personal reasons.
Sang Ailing	Supervisor	Elected	19 April 2021	Elected as a Supervisor of the ninth session of the Supervisory Committee of the Company at the twelfth meeting of the ninth session of the staff representative meeting.
Chen Gang	General manager	Engaged	8 August 2021	Elected as the general manager of the Company at the twenty-first extraordinary meeting of the ninth session of the Board.

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 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 1988. He had held various positions in the Company such as the chief of the technological reform department, the chief officer of branch factory, the deputy general manager and the Director. 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., executive director and vice chairman of Shanghai branch of China Mergers and Acquisitions Association, chairman of Kunpeng Asset Management Co., Ltd., vice chairman of its Shanghai branch, and 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 the chairman of the financial division of the Company. Mr. Li Feng is the younger brother of Ms. Li Xueqin, a deputy general manager of the Company.

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 management 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 Association of Shanghai Environmental Resources Law (上海市環境資源法研究會), the director of the Association of China Environmental Resources Law (中國環境資源法研究會), the director of the Association of Shanghai Economic Law (上海市經濟法研究會), as well as the evaluation expert of the National Judicial Verification of Environmental Damages (國家環境損害司法鑒定). He has been selected into Shanghai Pujiang Talent Program. 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. Sun Jianfei holds a doctorate in finance. 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 (上海市浦江人才計劃). 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., supervisor of Shanghai Xuyang New Energy Technology Co., Ltd., supervisor of Shanghai Tingwei Business Consultation Co., Ltd., independent director of Zhejiang Yueling 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.

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. Yang Biao holds a doctorate in law, and is currently a professor and doctoral tutor in 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 Program”, 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 served in Guangdong High People’s Court and People’s Court of Guangzhou Huangpu District. He has also served as independent director of Guangdong Guangzhou Daily Media Co., Ltd., independent director of Guangdong Tianhe Agricultural Resources Co., Ltd., independent director of Guangdong Yuehai Feed Group Co., Ltd., independent director of Qiaoyi Logistics Co., Ltd., an external director of Science City (Guangzhou) Investment Group Co., Ltd., a director of Guangzhou Sun Yat-sen University Science Park Co., Ltd., a director of Guangzhou Zhongda Nansha Technology Innovation Industrial Park Co., Ltd., a director of Guangzhou Zhongda Intellectual Property Service Co., Ltd., a supervisor of Dongguan Rural Commercial Bank Co., Ltd., a supervisor of Guangzhou Chuanwen Education Consulting Co., Ltd.,. He is currently an independent Director of the Company.

Ms. Yin Meiqun is a university professor, an advisor to doctoral students, and a certified public accountant in China. She holds a doctorate in accounting degree. 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.

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 assistant to the general manager 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., independent director of Lutai Textile Co., Ltd., independent director of Shandong Denghai Seed Industry Co., Ltd., and 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 Shandong Zhangqiu Blower 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 the assistant to the general manager 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 an employee supervisor of the Company.

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

2. Employment (*Continued*)

3. Brief biographies of Senior Management

Mr. Chen Gang is a member of the Communist Party of the PRC. He joined the Company in 1996 and served as the director of the Company's branch factory, the general manager of Zhanjiang Chenming, the general manager of Jilin Chenming, the leader in charge of Jiangxi Chenming, the assistant to the Company's production director, the general manager of Huanggang Chenming, the Company's deputy production director and an executive director and a deputy general manager of the Company. He is currently the 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, chairman 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 Shenzhen coated paper subsidiary of the Company, manager of Shandong Chenming Paper Sales Company Limited, vice chairman of a household paper company, 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 a deputy general manager and marketing director 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 cultural paper products, general manager of the Sales Company. 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.

VI Corporate Governance

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

2. Employment (*Continued*)

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

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				

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 the shareholder of the Company
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	2 February 2018	30 March 2024	Yes
Yang Biao	Dongguan Rural Commercial Bank Co., Ltd.	External supervisor	1 October 2019	1 October 2022	Yes
Sun Jianfei	Nanya New Material Technology Co., Ltd.	Independent director	1 August 2017	8 October 2023	Yes
Sun Jianfei	Suzhou Throw Technology Co., Ltd.	Independent director	8 May 2020	6 November 2022	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	Until a new independent director is elected at a general meeting	Yes
Yin Meiqun	Shangqiu Dingfeng Wood Co., Ltd.	Independent director	13 May 2021	12 May 2024	Yes
Yin Meiqun	China Best Group Holding Limited	Independent director	1 December 2021	30 November 2024	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	27 July 2023	Yes
Pan Ailing	Lu Thai Textile Co., Ltd.	Independent director	6 June 2016	10 June 2022	Yes
Pan Ailing	Shandong Denghai Seed Industry Co., Ltd.,	Independent director	12 April 2019	12 April 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	26 March 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	28 April 2023	Yes
Zhang Hong	Cisen Pharmaceutical Co., Ltd.	Independent director	28 November 2017	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

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 by the first extraordinary meeting of the ninth session of the Board and the 2019 first extraordinary general meeting, 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.

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)

Remuneration of Directors, Supervisors and Senior Management

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	M	57	In office	499.00	No
Hu Changqing	Vice Chairman	M	56	In office	350.00	No
Li Xingchun	Vice Chairman	M	56	In office	480.00	Yes
Li Feng	Director	M	48	In office	295.98	No
Han Tingde	Director	M	53	In office	20.00	No
Li Chuanxuan	Director	M	44	In office	20.00	No
Sun Jianfei	Independent Director	M	49	In office	20.00	No
Yin Meiqun	Independent Director	F	51	In office	20.00	No
Yang Biao	Independent Director	M	42	In office	20.00	No
Li Kang	Supervisor	F	40	In office	100.57	No
Pan Ailing	Supervisor	F	57	In office	10.00	No
Zhang Hong	Supervisor	F	57	In office	10.00	No
Qiu Lanju	Supervisor	F	48	In office	59.98	No
Sang Ailing	Supervisor	F	43	In office	24.87	No
Chen Gang	General manager	M	49	In office	102.47	No
Li Xueqin	Deputy general manager	F	56	In office	232.13	No
Li Weixian	Deputy general manager	M	40	In office	310.50	No
Li Zhenzhong	Deputy general manager	M	48	In office	169.01	No
Dong Lianming	Financial controller	M	47	In office	175.92	No
Yuan Xikun	Secretary to the Board	M	36	In office	80.82	No
Chu Hon Leung	Hong Kong company secretary	M	39	In office	0.00	No
Li Xinggui	Supervisor	M	57	Resigned	3.41	No
Zhao Xuegang	Deputy general manager	M	49	Dismissed	0.00	No
Geng Guanglin	Deputy general manager	M	48	Dismissed	46.93	No
Total	—	—	—	—	3,051.59	—

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 seventeenth extraordinary meeting of the ninth session of the Board	29 January 2021	30 January 2021	http://www.cninfo.com.cn (announcement no.: 2021-003)
The eighteenth extraordinary meeting of the ninth session of the Board	18 February 2021	19 February 2021	http://www.cninfo.com.cn (announcement no.: 2021-013)
The eighth meeting of the ninth session of the Board	25 March 2021	26 March 2021	http://www.cninfo.com.cn (announcement no.: 2021-024)
The ninth meeting of the ninth session of the Board	19 April 2021	Not applicable	The Full Text and Content of the Company's 2021 First Quarterly Report was reviewed and approved. It was exempted from disclosure by resolution announcements.
The nineteenth extraordinary meeting of the ninth session of the Board	25 June 2021	26 June 2021	http://www.cninfo.com.cn (announcement no.: 2021-046)
The twentieth extraordinary meeting of the ninth session of the Board	15 July 2021	16 July 2021	http://www.cninfo.com.cn (announcement no.: 2021-060)
The twenty-first extraordinary meeting of the ninth session of the Board	8 August 2021	9 August 2021	http://www.cninfo.com.cn (announcement no.: 2021-068)
The tenth meeting of the ninth session of the Board	26 August 2021	Not applicable	The Full Text and Summary of the Company's 2021 Interim Report was reviewed and approved. It was exempted from disclosure by resolution announcements.
The twenty-second extraordinary meeting of the ninth session of the Board	23 September 2021	24 September 2021	http://www.cninfo.com.cn (announcement no.:2021-082)
The eleventh meeting of the ninth session of the Board	29 October 2021	Not applicable	The Company's 2021 Third Quarterly Report was reviewed and approved. It was exempted from disclosure by resolution announcements.
The twenty-third extraordinary meeting of the ninth session of the Board	15 November 2021	16 November 2021	http://www.cninfo.com.cn (announcement no.: 2021-090)

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				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	11	0	11	0	0	No	0
Hu Changqing	11	0	11	0	0	No	5
Li Xingchun	11	0	11	0	0	No	0
Li Feng	11	0	11	0	0	No	2
Han Tingde	11	0	11	0	0	No	1
Li Chuanxuan	11	0	11	0	0	No	5
Sun Jianfei	11	0	11	0	0	No	5
Yin Meiqun	11	0	11	0	0	No	5
Yang Biao	11	0	11	0	0	No	5

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. 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, carefully reviewed various proposals that need to be reviewed at Board meetings, and made resolutions in accordance with the regulations and requirement of the Companies Law, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Guidelines of the Shenzhen Stock Exchange for Standardised Operation of Listed Companies and the Articles of Association and other relevant laws, regulations and regulatory documents. In accordance with the Guiding Advice on Establishing an Independent Director System in Listed Companies, Work System of Independent Directors and other regulations, independent Directors of the Company performed their duties independently and learned about the financial assistance provided by the Company to its investees through communication diligently and responsibly. They also issued independent and impartial opinions for related party transactions, external guarantees and the appointment of audit institutions of the Company and other matters requiring independent Directors' opinions that occurred during the reporting period, which better safeguarded the overall interests of the Company and the legitimate rights and interests of all shareholders, especially minority shareholders, and played a positive role in the Company's standardised, stable and healthy development.

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 (if any)
Audit Committee	Yin Meiqun, Li Chuanxuan and Sun Jianfei	4	25 March 2021	Reviewed the Company's 2020 Financial Final Accounts Report, Full Text and Summary of the Company's 2020 Annual Report, Proposal on the Appointment of Auditor for 2021 and Proposal on Provision for Impairment of Assets in 2020	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 2020 financial report auditing, review of the 2020 auditor's report and financial report; review of the independence, professional competence, investor protection ability, and practice qualifications of Grant Thornton.	Nil
			19 April 2021	Reviewed the Full Text and Content of the 2021 First Quarter Report of the Company	Agreed to submit to the Board for review	Review of the 2021 first quarter report of the Company as of 31 March 2021.	Nil
			26 August 2021	Reviewed the Full Text and Summary of the 2021 Interim Report of the Company	Agreed to submit to the Board for review	Review of the 2021 interim financial statements as of 30 June 2021.	Nil
			29 October 2021	Reviewed the 2021 Third Quarter Report of the Company	Agreed to submit to the Board for review	Review of the 2021 third quarter report of the Company as of 30 September 2021.	Nil
Remuneration and Assessment Committee	Yang Biao, Li Xingchun and Sun Jianfei	1	25 March 2021	Reviewed the Proposal on Determination of Remuneration of Directors, Supervisors and Senior Management for 2020	Agreed to submit to the Board for review	The Remuneration and Assessment Committee under the Board of the Company determined the remuneration of Directors, Supervisors and the senior management, which was arrived at based on the operations in 2020.	Nil
Strategy Committee	Chen Hongguo, Hu Changqing and Yang Biao	1	25 June 2021	Reviewed the Proposal on the Capital Increase of Shanghai Chenming by Jiangxi Chenming	Agreed to submit to the Board for review	The Strategy Committee communicated and discussed the capital increase of Shanghai Chenming based on its operations.	Nil
Nomination Committee	Sun Jianfei, Chen Hongguo and Yin Meiqun	1	8 August 2021	Reviewed the Proposal on Changing the Rotating General Manager	Agreed to submit to the Board for review	The Nomination Committee conducted a review of the candidate	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	3,144
Number of staff at major subsidiaries (person) as at the end of the reporting period	8,384
Total number of staff (person) as at the end of the reporting period	12,296
Total number of staff receiving remuneration during the period (person)	12,296
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	8,276
Sales staff	564
Technical staff	573
Financial staff	183
Administrative staff	1,419
Other staff	1,281
Total	12,296

Education level

Category of education level	Number of people (person)
Postgraduate and above	25
Undergraduate	997
Post-secondary	2,504
Technical secondary and below	8,770
Total	12,296

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

In 2022, the Company will strictly implement the “people-oriented” management concept, focus on talent training, further strengthen training, set up a professional training team, formulate concise and effective training measures, and carry out employee skill improvement training, cadre training, and reserve talent team building. At the same time, the Company will design three career development channels of management, profession and skill to broaden the career development paths of employees. The Company will continue to strengthen cooperation with professional training institutions to innovate learning forms and carry out talent training with the help of external training resources and teachers. The Company will cultivate internal trainers, establish a team of lecturers, develop high-quality training materials at different levels and professions, carry out internal training, and improve employees’ business skills.

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

The Company implemented its profit distribution policy in compliance with the Articles of Association. Its cash dividend policy was formulated and implemented in compliance with the requirements of the Articles of Association and the resolution of the general meeting with well-defined and clear dividend distribution criteria and proportion. The legal interests of the small shareholders were fully protected as the related decision-making process and mechanism were in place, the duties of independent Directors were well-defined so that they played a role, and the small shareholders were given opportunities to sufficiently voice their opinion and make requests.

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

Implementation of the Company's profit distribution plan in 2020: Based on the total number of ordinary shares of the Company as at the end of 2020 of 2,984,208,200 shares and the 589,005,236 simulated ordinary shares converted from the second and third tranches of Preference Shares using a conversion ratio of 1 share valued at RMB3.82, a cash dividend of RMB1.85 (tax inclusive) was to be distributed to ordinary shareholders for every 10 shares held; a cash dividend of RMB1.85 (tax inclusive) per 10 simulated ordinary shares converted from the second and third tranches of Preference Shares was to be distributed to holders of Preference Shares. No bonus shares would be issued and there was no increase of share capital from reserves. The cash dividend distributed to ordinary shareholders amounted to RMB552,078,517.00 and a variable cash dividend distributed to holders of the second and third tranches of Preference Shares amounted to RMB108,965,968.66. That is, the holders of the second and third tranches of Preference Shares would receive a cash dividend of RMB4.84 (tax included) per Preference Share (par value of RMB100 per share). The dividend distribution was implemented and completed on 18 August 2021. For details, please refer to the Payment of Final Dividend and Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders published on Hong Kong Stock Exchange on 5 August 2021, and the Announcement on the Implementation of the 2020 Dividend Distribution Plan for A Shares and B Shares and the Announcement on the Implementation of the Distribution of Residual Profits of 2020 to Preference Shareholders published on CNINFO on 6 August 2021.

Particulars of Cash Dividend Policy

Was it in compliance with the requirements of the Articles of Association and the resolutions of the general meeting:	Yes
Were the dividend distribution criteria and proportion well-defined and clear:	Yes
Were the related decision-making process and mechanism in place:	Yes
Did independent Directors fulfil their duties and play their role:	Yes
Were the minority shareholders given opportunities to sufficiently voice their opinion and make requests and were the legal interests of the minority shareholders fully protected:	Yes
Were conditions and procedures legal and transparent in respect of cash dividend policy with adjustments and changes:	Yes

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 Use and plan of use of the Company's undistributed profits and the Parent Company's profit available for distribution to shareholders was positive but no cash dividend distribution plan was proposed

Considering factors such as the current macroeconomic environment and the Company's strategic planning, in order to further optimise its capital structure, reduce its scale of debt, lower its gearing ratio, 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 securing the sustainable and steady development of the pulp production and paper making business, the principal operation of the Company, and better safeguarding the long-term interests of all shareholders.

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.

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

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. On 30 March 2020, the ninth extraordinary meeting of the ninth session of the Board of 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 Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary and other resolutions were 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. 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 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, 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.

VI Corporate Governance

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

Share options granted to Directors and the Senior Management of the Company as incentives

√ Applicable □ Not applicable

Unit: share

Name	Position	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)	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	0	0	0	7.24	20,000,000	0	0	2.85	20,000,000
Hu Changqing	Vice Chairman	0	0	0	7.24	5,000,000	0	0	2.85	5,000,000
Li Xingchun	Vice Chairman	0	0	0	7.24	5,000,000	0	0	2.85	5,000,000
Li Feng	Director	0	0	0	7.24	3,000,000	0	0	2.85	3,000,000
Chen Gang	General manager	0	0	0	7.24	1,000,000	0	0	2.85	1,000,000
Li Xueqin	Deputy general manager	0	0	0	7.24	3,000,000	0	0	2.85	3,000,000
Li Weixian	Deputy general manager	0	0	0	7.24	2,000,000	0	0	2.85	2,000,000
Li Zhenzhong	Deputy general manager	0	0	0	7.24	2,000,000	0	0	2.85	2,000,000
Dong Lianming	Financial controller	0	0	0	7.24	1,000,000	0	0	2.85	1,000,000
Yuan Xikun	Secretary to the Board	0	0	0	7.24	300,000	0	0	2.85	300,000
Total	—	0	0	—	—	42,300,000	0	0	—	42,300,000

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.

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

1. Construction and implementation of internal control system

During the reporting period, the Company strictly complied with various laws and regulations and the Company's internal control system to standardise operations, optimise governance, and manage and control risks. 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. The daily work flow and related systems of each department and business segment of the company were comprehensively reviewed. The relevant content of the Internal Control Management Manual was revised and improved. A scientific, applicable and effective internal control system had been established to effectively prevent and timely discover and correct deviations in the Company's operation and management process, thus reasonably protecting the safety and integrity of the Company's assets, and reasonably ensuring the authenticity, accuracy and integrity of accounting information.

The internal control system 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 was sound and reasonable. The implementation specifications were 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 during integration	Implemented solution	Solution progress	Follow-up solution
Wuhan Junheng Property Management Co., Ltd.	In December 2021, the leasing company acquired 100% equity interest in Wuhan Junheng Property Management Co., Ltd. to offset the amount due to it. The company's major assets were the shops on South Xizang Road, Shanghai, which were mainly used for leasing purpose. Upon completion of the merger, the finance departments of the leasing company shall be responsible for auditing.	Completed	Nil	Not applicable	Not applicable	Not applicable

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 2022
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	99.00%

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 nonfinancial 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	<p>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.</p>	<p>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.</p>
Number of material deficiencies in financial reporting: (number)		0
Number of material deficiencies in non-financial reporting: (number)		0
Number of major deficiencies in financial reporting: (number)		0
Number of major deficiencies in non-financial reporting: (number)		0

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 2021.

Disclosure of Auditor's Report on Internal Control

Disclosed

Date of Disclosure of Auditor's report on internal control

31 March 2022

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

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 own 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.

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

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 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 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 A.1.8 of the code provisions, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. As at the date of this report, the Company has not reached an agreement with the original insurance company, and therefore has not arranged relevant insurance cover for Directors. However, the Company is currently under negotiation with another insurance Company with respect to director liability insurance in 2022.

During the reporting period, the Board held 11 meetings, 4 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 Committee meetings	Strategic Committee meetings	General meetings
I. Executive Directors							
Chen Hongguo	Chairman	11/11	N/A	1/1	N/A	1/1	5/0
Hu Changqing	Vice Chairman	11/11	N/A	N/A	N/A	1/1	5/5
Li Xingchun	Vice Chairman	11/11	N/A	N/A	1/1	N/A	5/0
Li Feng	Executive Director	11/11	N/A	N/A	N/A	N/A	5/2
II. Non-executive Directors							
Li Chuanxuan	Director	11/11	4/4	N/A	N/A	N/A	5/5
Han Tingde	Director	11/11	N/A	N/A	N/A	N/A	5/1
III. Independent non-executive Directors							
Sun Jianfei	Independent Director	11/11	4/4	1/1	1/1	N/A	5/5
Yin Meiqun	Independent Director	11/11	4/4	1/1	N/A	N/A	5/5
Yang Biao	Independent Director	11/11	N/A	N/A	1/1	1/1	5/5

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 4 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.

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

(iii) Board (Continued)

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 2021 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

The chairman of the Company is Mr. Chen Hongguo, and the general manager of the Company is Mr. Chen Gang. Please refer to part V of this section for their 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.

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 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

(v) Independent Non-executive Directors

There are three 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 Jianfe, 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, are elected at general meetings with a term of three years from June 2019 to June 2022. They may be re-elected for another term upon expiry of tenure.

(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.

(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.

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

(ix) Audit Committee

The Audit Committee of the Company comprises three members, including Yin Meiqun (as the chairman), Li Chuanxuan and Sun Jianfei. Two of them, including the chairman, 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) proposing the appointment or dismissal of the external auditor; (2) supervising the internal control system of the Company and its implementation; (3) serving as a communication media between internal and external audit; (4) auditing the financial information of the Company and its disclosures; (5) reviewing the financial control, risk control and internal control system of the Company and audit the significant connected transactions; (6) discussing the risk management and internal control system with the management to ensure the management has performed its duties to establish effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions of the Company; (7) studying the major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and the management's response to these findings; (8) where the annual report includes statements in relation to the risk management and internal control system of the Company, reviewing such statements prior to submission to the Board for approval; and (9) dealing with other matters as delegated by the Board.

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 2021 prepared in accordance with China Accounting Standards for Business Enterprises.

Particulars of the meetings held by the Audit Committee during the reporting period were 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 management has provided confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2021.

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.

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

(x) Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Company comprises three members, including Yang Biao, the Chairman, and other members, namely Li Xingchun and Sun Jianfei. Two members, 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, including Sun Jianfei (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.

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.

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

(xi) Nomination Committee (*Continued*)

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, the Chairman, and other members, namely, 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.

(xiii) Auditor

Based on the operation development and auditing needs of the Company, the Company convened the 2019 second extraordinary general meeting on 23 October 2019, and considered and approved the Resolution in relation to the Change of the Auditor, pursuant to which the Company's auditor for 2019 was changed from Ruihua Certified Public Accountants (Special General Partnership) to Grant Thornton (Special General Partnership). 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. 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.

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

(xiv) Remuneration for the Auditor

The financial statements for 2021 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Grant Thornton (Special General Partnership). The Company paid the auditor in aggregate RMB2,500,000 and RMB800,000 in respect of financial statements audit and non-audit services in relation to internal control for 2021 respectively.

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.

(xv) Supervisors and Supervisory Committee

The Supervisory Committee comprises three shareholder representatives and two staff representatives. The shareholder representatives shall be elected and removed at a general meeting and the staff representatives shall be elected and removed democratically by the staff of the Company. During the reporting period, the Supervisory Committee of the Company convened 4 meetings, and all supervisors attended Supervisory Committee meetings convened during the year, and carefully reviewed the 2020 Annual Report, 2021 First Quarterly Report, 2021 Interim Report and 2021 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.

(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.

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*)

Information disclosure on the Company's website (*Continued*)

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 18 June 2021 by the Company, two extraordinary general meetings, 1 Class Meeting for Holders of Domestically listed Shares and 1 Class Meeting for Holders of Overseas-listed Shares were convened in 2021. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
2021 first extraordinary general meeting	Hu Changqing, Li Chuanxuan, Sun Jianfei, Yin Meiqun, Yang Biao
2021 first class meeting for holders of domestic-listed shares	Hu Changqing, Li Chuanxuan, Sun Jianfei, Yin Meiqun, Yang Biao
2021 first class meeting for holders of overseas-listed shares	Hu Changqing, Li Chuanxuan, Sun Jianfei, Yin Meiqun, Yang Biao
2020 annual general meeting	Hu Changqing, Li Feng, Han Tingde, Li Chuanxuan, Sun Jianfei, Yin Meiqun, Yang Biao
2021 second extraordinary general meeting	Hu Changqing, Li Feng, Li Chuanxuan, 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 E.1.2 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 its strategy committee, was absent from the annual general meeting due to business commitments.

Code A.6.7 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 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.

Mr. Han Tingde was absent from the 2021 first extraordinary general meeting, the 2021 first class meeting for holders of domestic-listed shares and the 2021 first class meeting for holders of overseas-listed shares due to business commitments.

Mr. Han Tingde was absent from the 2021 second extraordinary general meeting due to business commitments.

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 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 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 local office of CSRC at the place where the Company is located and 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 local office of CSRC at the place where the Company is located and the stock exchange upon the issuance of the notice of general meeting and the announcement of resolutions of the general meeting.

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. If a general meeting is convened by shareholders on their own, all necessary expenses incurred shall be borne by the Company.

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 with voting right are entitled to propose motions to the Company.

Shareholders individually or jointly holding over 3% of the total shares of the Company with voting right may submit extraordinary motions to the Board or the secretary to the Board ten working days before the convening of the General Meeting. The Board or the secretary to the Board shall issue supplementary notice of the General Meeting to announce the extraordinary motions within two working days after receiving the proposed motions.

Save for provided above, the Board or Secretary to the Board 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.

(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. Internal control self-assessment report or Internal control audit report of this section.

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

(xix) Articles of Association

On 3 December 2019, the Company amended the new Articles of Association. The amendments were primarily relating to the time for convening general meetings. 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. On 29 January 2021, the Company made amendments to its new Articles of Association, and the scope of amendments was primarily related to relevant matters of domestic listed foreign shares after the Company's implementation of 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. The aforementioned amendments were considered and approved at the 2021 first extraordinary general meeting, the 2021 first class meeting for holders of domestic-listed shares and the 2021 first class meeting for holders of overseas-listed shares of the Company, and shall be effective on the date of the listing of the Company's domestic listed foreign shares converted into overseas-listed foreign shares. Before the listing of domestic listed foreign shares converted into overseas-listed foreign shares, the Articles of Association amended by the Company on 3 December 2019 shall continue to be effective.

(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.

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

(xxi) Dividend policy

Considering factors such as the current macroeconomic environment and the Company's strategic planning, in order to further optimise its capital structure, reduce its scale of debt, lower its gearing ratio, enhance the Company's financial resilience, satisfy the Company's capital needs for, among other things, day-to-day production and operation, and project construction, thereby securing the sustainable and steady development of the Company's pulp production and paper making business, the principal operation of the Company, and better safeguarding the long-term interests of all shareholders, the Company proposed not to pay cash dividend, issue bonus shares or increase share capital from reserves.

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

Name of company or subsidiary	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
Shandong Chenming Paper Holdings Limited	SO ₂	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 5.45mg/m ³ Power plant no. 2: 4.63mg/m ³	35mg/m ³	Power plant no. 1: 11.8t Power plant no. 2: 9.68t	160.32t/year	No
	NO _x	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 38.4mg/m ³ Power plant no. 2: 39.1mg/m ³	50mg/m ³	Power plant no. 1: 83.5t Power plant no. 2: 77.7t	233.91t/year	No
	Particulates	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 0.898mg/m ³ Power plant no. 2: 0.905mg/m ³	5mg/m ³	Power plant no. 1: 1.98t Power plant no. 2: 1.71t	23.39t/year	No
	COD	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 169mg/L Sewage outlet no. 2: 155mg/L	300mg/L	Sewage outlet no. 1: 1207t Sewage outlet no. 2: 1624t	6510.74t/year	No
	Ammonia nitrogen	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 2.69mg/L Sewage outlet no. 2: 1.25mg/L	30mg/L	Sewage outlet no. 1: 18.5t Sewage outlet no. 2: 13.5t	650.7t/year	No
Shouguang Meilun Paper Co., Ltd.	SO ₂	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 8.58mg/m ³ Power plant no. 2: 9.9mg/m ³ Alkali recovery: 1.42mg/m ³ Lime kiln: 11mg/m ³	35mg/m ³ (self-owned power plant), 50mg/m ³ (chemical pulp mill)	Power plant no. 1: 34.3t Power plant no. 2: 34.1t Alkali recovery: 13.7t Lime kiln: 15.4t	342.89t/year	No
	NO _x	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 30.8mg/m ³ Power plant no. 2: 31.6mg/m ³ Alkali recovery: 67.4mg/m ³ Lime kiln: 21.1mg/m ³	50mg/m ³ (self-owned power plant), 100mg/m ³ (chemical pulp mill)	Power plant no. 1: 122t Power plant no. 2: 103t Alkali recovery: 631t Lime kiln: 29.1t	1202.75t/year	No
	Particulates	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 0.842mg/m ³ Power plant no. 2: 0.938mg/m ³ Alkali recovery: 1.17mg/m ³ Lime kiln: 1.36mg/m ³	5mg/m ³ (self-owned power plant), 10mg/m ³ (chemical pulp mill)	Power plant no. 1: 3.39t Power plant no. 2: 3.05t Alkali recovery: 11t Lime kiln: 1.72t	121.979t/year	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	SO ₂	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 5.9mg/m ³ 75T/h furnace: 2.56mg/m ³	50mg/m ³	3.523t	102.58t/year	No
	NO _x	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 79.58mg/m ³ 75T/h furnace: 41.2mg/m ³	100mg/m ³	45.35t	205.16t/year	No
	Particulates	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 2.58 mg/m ³ 75T/h furnace: 2.53mg/m ³	20mg/m ³	2.553t	41.032t/year	No
	COD	Direct emission	1	Total wastewater discharge	56mg/L	80mg/L	66.64t	184.3t/year	No
	Ammonia nitrogen	Direct emission	1	Total wastewater discharge	1.71mg/L	8mg/L	2.12t	17.3t/year	No
Jiangxi Chenming Paper Co., Ltd.	SO ₂	Organised emission	1	Thermal power plant	240T/h furnace: 11.6049mg/m ³	200mg/m ³	31.584t	806t/year	No
	NO _x	Organised emission	1	Thermal power plant	240T/h furnace: 57.7725mg/m ³	200mg/m ³	157.2359t	806t/year	No
	Particulates	Organised emission	1	Thermal power plant	240T/h furnace: 6.3513mg/m ³	30mg/m ³	17.2860t	135t/year	No
	COD	Direct emission	1	Total wastewater discharge	44.75mg/L	90mg/L	372t	1260t/year	No
	Ammonia nitrogen	Direct emission	1	Total wastewater discharge	1.74mg/L	8mg/L	14.50t	112t/year	No

VII Environment and Social Responsibility

Name of company or subsidiary	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
Jilin Chenming Paper Co., Ltd	SO ₂	Organised emission	3 (2 in use, 1 spare)	Within factory area	11.72mg/m ³	100mg/m ³	11.97t	97t/year	No
	NO _x	Organised emission	3 (2 in use, 1 spare)	Within factory area	31.68mg/m ³	100mg/m ³	32.54t	213t/year	No
	Particulates	Organised emission	3 (2 in use, 1 spare)	Within factory area	10.74mg/m ³	30mg/m ³	11.14t	51.66t/year	No
	COD	Indirect emission	1	Total wastewater discharge	60.51mg/L	90mg/L	250.99 t	357t/year	No
	Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	1.41mg/L	8mg/L	5.40t	34t/year	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	SO ₂	Organised emission	5	Within factory area	Alkali recovery: 10.119mg/m ³ Power plant no. 1: 1.605mg/m ³ Power plant no. 2: 4.333mg/m ³ Power plant no. 3: 4.990mg/m ³ Power plant no. 4: 3.996mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 35mg/m ³	114.168t	620t/year	No
	NO _x	Organised emission	5	Within factory area	Alkali recovery: 138.664mg/m ³ Power plant no. 1: 6.638mg/m ³ Power plant no. 2: 9.372mg/m ³ Power plant no. 3: 8.932mg/m ³ Power plant no. 4: 11.991mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 50mg/m ³	1090.244t	2169.70t/year	No
	Particulates	Organised emission	5	Within factory area	Alkali recovery: 16.548mg/m ³ Power plant no. 1: 0.536mg/m ³ Power plant no. 2: 1.376mg/m ³ Power plant no. 3: 0.858mg/m ³ Power plant no. 4: 2.163mg/m ³	Alkali recovery: 30mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 10mg/m ³	123.621t	196t/year	No
	COD	Direct emission	1	Within factory area	44.093mg/L	90mg/L	797.430t	1943t/year	No
	Ammonia nitrogen	Direct emission	1	Within factory area	0.804mg/L	8mg/L	14.763t	43.9t/year	No
	Total phosphorus	Direct emission	1	Within factory area	0.154mg/L	0.8mg/L	2.669t	21.36t/year	No
	Total nitrogen	Direct emission	1	Within factory area	4.383mg/L	12mg/L	79.204t	320.4t/year	No
	SO ₂	Organised emission	1	Lime kiln chimney	22.9mg/m ³	80mg/m ³	16.23t	471.289t/year	No
	SO ₂	Organised emission	1	Alkali furnace chimney	8.68mg/m ³	200mg/m ³	19.61t		No
	NO _x	Organised emission	1	Alkali furnace chimney	174.07mg/m ³	200mg/m ³	629.26t	1,132.716t/year	No
Huanggang Chenming Pulp & Paper Co., Ltd.	Particulates	Organised emission	1	Lime kiln chimney	7.51mg/m ³	200mg/m ³	4.34t	129.07t/year	No
	Particulates	Organised emission	1	Alkali furnace chimney	10.52mg/m ³	30mg/m ³	27.28t		No
	COD	Indirect emission	1	Total wastewater discharge	14.08mg/L	150mg/L	126.41t	398.911t/year	No
	Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	0.08mg/L	14mg/L	0.69t	39.891t/year	No

I. Major environmental protection matters (Continued)

Construction and operation of facilities for pollution prevention and control

- (1) The Company and its subsidiaries strictly comply with laws, regulations and relevant rules regarding environmental protection of the central and local government. The construction of projects strictly adheres to the “three simultaneities” on environmental protection. In order to ensure pollutants are discharged strictly in accordance with the requirements under laws and regulations and disposed properly, production and operation strictly comply with the national Law on the Prevention and Control of Environmental Pollution, Law on the Prevention and Control of Water Pollution, Law on the Prevention and Control of Air Pollution, Action Plan for Prevention and Control of Water Pollution and Law on the Prevention and Control of Environmental Pollution by Solid Waste and other laws.
- (2) The Company and its subsidiaries are equipped with perfect environmental protection treatment facilities, the main process of sewage treatment is: pre-treatment – anaerobic – aerobic – deep treatment process, which can achieve the standard discharge of sewage; and each subsidiary is equipped with water reuse system, reuse the treated sewage as much as possible to reduce the pollution of emissions. The Company has built nine sewage treatment plants with a daily treatment capacity of 350,000 cubic meters; and every quarter, government departments regularly visit the Company to compare the online monitoring data, and the data comparison is qualified.
- (3) Each subsidiary’s organised emission outlets are equipped with an online monitoring system for real-time monitoring. All subsidiaries have their own power plants. Each self-owned plant has its own environmental protection facilities for de-dusting, desulphurisation and denitrification. Denitrification is conducted through SCR or SNCR, while desulphurisation is primarily conducted through gypsum desulphurisation (ammonia desulphurisation is adopted in the self-owned plant of Jiangxi Chenming). The emissions indicators are better than the national and local execution standards. Other alkali recovery boilers and lime kilns are also in compliance with the emission standards.

Environmental impact assessment of construction projects and other environmental protection administrative licensing

The Company has strictly complied with the environmental laws and regulations all along to carry out environmental impact assessment of construction projects. The construction projects are all subject to environmental impact assessment. During the construction process, a reasonable environmental protection project construction plan is formulated and strictly implemented. The environmental protection facilities and the main project are designed, constructed and put into operation at the same time. At present, all construction projects put into production have obtained environmental impact assessment approvals and acceptance approvals °

In June 2017, the Company and its subsidiaries completed the formalities for new discharge permits in accordance with the Measures for the Administration of Pollutant Discharge Permits of the Ministry of Environmental Protection, and the discharge permits of the new projects were renewed according to the environmental protection requirements in a timely manner.

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.

Administrative penalty 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 listed company	Corrective measures of the Company
Jiangxi Chenming Paper Co., Ltd.	Operation and maintenance and management irregularities of online monitoring equipment	On 17 December 2020, the Nanchang Municipal Ecological Environment Bureau, together with the Northern Jiangxi Commissioner's Office and the Environmental Information Center, inspected the wastewater station of Jiangxi Chenming and found that there were some operation and maintenance and management irregularities in respect of the wastewater online monitoring equipment. Although the normal operation of the monitoring equipment was not guaranteed, no environmental pollution was caused as a result.	The Nanchang Municipal Ecological Environment Bureau imposed an administrative penalty of a fine RMB21,000 on Jiangxi Chenming in accordance with the law.	The violations did not result in environmental pollution. Jiangxi Chenming has completed rectification, and paid the fine on time. There is no significant impact on the production and operation of the listed company.	In response to the foregoing issues, Jiangxi Chenming immediately organised the rectification of online facilities, strengthened the operation and maintenance management of online devices, and regularly conducted comparison to ensure the normal operation of the monitoring equipment.

I. Major environmental protection matters (Continued)

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.

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 of 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 construction of Shouguang Chenming 33 MW and Zhanjiang Chenming 24 MW photovoltaic power generation projects was being promoted, which would reduce carbon emissions by about 68,000 tonnes per year after operation.
7. The Group constructed Shouguang Chemical Pulp, Huanggang Chenming and Zhanjiang Chenming waste heat power generation projects, and connected to Chenming's internal power grid nearby, with net power generation capacity of 2,400 KW per hour, to reduce part of coal consumption.
8. 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.

Through a range of emission reduction measures, carbon emissions were reduced by approximately 600,000 tonnes in 2021 compared to 2020.

Other environmental protection related information

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

II. Social responsibility

For a long time, the Company always sticks to take “Creating high-quality paper products and sincerely repaying the society” as its guiding policy. While pursuing economic benefits of the company, it effectively performs social responsibility, proactively assumes its due responsibility for national and social development, natural environment and for shareholders, staff, customers, suppliers and other stakeholders and achieves organic integration of economic, social and ecological benefits through charitable activities. During the reporting period, the Company continuously made efforts and fulfilled its duties in good faith in terms of shareholders’ benefits, staff interests, environmental protection, aid and poverty alleviation and so on, and was highly praised by all sectors of society. The Company has successively been on the list of “2021 Shandong Social Responsibility Enterprise” and “2021 Top 500 Chinese Enterprises for Philanthropy”, and was awarded the honorary titles of “National Model Workers’ Home”, “The Seventh Shandong Charity Award Shandong Province Worker Pioneer” and other honorary titles.

1. Fulfilment of Shareholders’ Rights and Responsibilities

The recognition and support of shareholders is the driving force for the Company to promote the sustainable and healthy development, and it is the Company’s obligation and responsibility to protect the rights and interests of shareholders. During the reporting period, the Company adopted a combination of on-site and online voting to convene 5 general meetings strictly in accordance with the Articles of Association, Rules of Procedure of General Meetings to ensure the right of shareholders to know, participate and vote on the Company’s major issues, especially for the minority shareholders. The Company smoothly implemented the 2020 profit distribution scheme with a cash dividend of RMB1.85 (tax inclusive) per 10 shares to ordinary shareholders, and a cash dividend of RMB1.85 (tax inclusive) per 10 simulated ordinary shares converted from the Preference Shares to holders of the second and third tranches of Preference Shares. Since 2003, the Company has distributed cash dividend to shareholders in 19 consecutive years, granting recurring and stable investment returns to all shareholders.

2. Fulfilment of Staff’s Rights and Responsibilities

The Company sticks to the people-oriented concept and strictly complies with the Labour Law, the Labour Contract Law, the Women’s Rights Protection Law and other relevant laws and regulations and advocates the policy of equal employment to fully protect various legitimate interests of the employees. During the reporting period, the Company established Safety Production Responsibility System and strengthened the staff’s awareness of safety production and effectively protected their personal safety by carrying out activities such as “Safety Production Month”, emergency drills, and organising the troubleshooting and dealing with potential hazards. The Company improved the evaluation mechanism and performance appraisal system, focusing on employee growth, and carried out multi-level vocational training through online learning platforms, cadre teaching and other methods to continuously improve the professional level of employees. In order to improve employees’ happiness and enhance corporate cohesion, the Company sent greeting cards and cakes to employees on their birthdays, provided free on-the-job meals to employees, and continuously improved the environment of employees’ apartments. The Company enriched employees’ spare time by carrying out billiards games, basketball games, fun sports and games and other activities. Meanwhile, the Company established staff mutual aid foundation and successively helped more than 200 employees in difficulty, concentrating the huge enterprise development power with care, and promoting the sustainable, healthy and rapid development of the enterprise.

II. Social responsibility (*Continued*)

3. Fulfilment of environmental protection responsibilities

For a long time, the Company has always been adhering to the concept of green and ecological development, taking environmental protection as a “life project”, thoroughly implementing the national energy conservation and environmental protection policy, and unswervingly taking the road of green development, low-carbon development and circular development. The Company has invested more than RMB8 billion to actively carry out environmental protection governance, and is now leading in all environmental protection indicators. In the paper making industry, the Company has taken the lead in exploring black liquor resource recovery technology, launched the largest alkali recycling project in the domestic paper making industry, and built the first domestic medium-pressure steam generator with the utilisation of alkali furnaces which could save 750,000 tonnes of standard coal per annum, with the alkali recovery rate reaching 99.8%; adopts the world’s most advanced osmosis and filtration technology to recycle greywater, with a conversion rate of up to 75% or above, and the standard of treated greywater is up to drinking water standard. At the same time, the Company fully implements clean production, vigorously implements energy conservation and emission reduction, explores the mode of innovative comprehensive utilisation of resources and industrial circular development, and builds three circular economic ecological chains of “resources-products-renewable resources”, creating a green, clean and low-carbon production system to achieve the goal of “energy saving, consumption reduction, pollution reduction and efficiency improvement”.

4. Fulfilment of Responsibilities for Aid and Poverty Alleviation

While standardising operation, paying taxes, and creating economic value, the Company proactively participates in social public welfare undertakings, fulfils social responsibility and creates social values. During the reporting period, the Company continuously conduct charitable relief public welfare projects such as “Sunrise Aid for Education”, “Sunset Assistance to Elderly”, and “Aid for the Disabled”, actively took the lead in participating in “Daily Donation with Compassion” activity in Shouguang City, donated RMB1 million to the Shouguang Federation of Trade Unions, and played a demonstrating and leading role as a leading enterprise. At the same time, the Company fully contributed to the fight against the pandemic and poverty alleviation, and donated 40 tonnes of disinfectant to the Wuchuan Municipal Government to overcome the current difficulties and help fight the pandemic; actively participated in the “Guangdong Poverty Alleviation Day” activity, donated a total of RMB11 million, and made active contributions to the targeted poverty alleviation work. The Company donated funds to help poor students through the Love Education Foundation, and donated funds through the Education Alliance Foundation to commend outstanding teachers and contribute to the construction of the teaching staff.

In the future, the Company will remain true to its original aspiration and fulfil its mission, and strive for development. While improving and strengthening the principal business of pulp production and paper making and improving economic benefits, the Company earnestly fulfils its social responsibilities and achieves a benign interaction between the economic value and the social value to create a shared value, and better demonstrate the strength and style as a leading paper making enterprise in China, and make greater contributions to high-quality economic and social development.



VII Environment and Social Responsibility

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

2021 was the first year to consolidate and expand the achievements of poverty alleviation and achieve effective connection with rural revitalisation. Chenming Group was concerned about its hometown, and led its subsidiaries to take the initiative and the responsibility to alleviate poverty, making positive contributions to the local targeted poverty alleviation work and helping the poor and vulnerable groups shake off poverty as soon as possible.

During the reporting period, Chenming Group actively carried out the “Daily Donation with Compassion” activity, donated a total of RMB1 million to the Charity Federation, supported the communities in pair with Shouguang City No. 3 Middle School, donated love student grants, and helped the construction of local education course. The labour union of the Group, Jilin Chenming, Jiangxi Chenming and other subsidiaries actively applied for municipal-level charitable disability assistance, charitable medical care and other relief funds for employees who became impoverished due to illness, used the Company’s mutual aid funds to help them get rid of poverty, and set up documentation for them in respect of poverty alleviation. Zhanjiang Chenming, a subsidiary of the Company, under the guidance and cooperation of the Mazhang Town Committee and Town Government, conducted field research in 40 administrative villages and communities in the town to learn about the village’s collective economic income, its infrastructure, and its construction of the village party branch; interviewed 429 registered households alleviated from poverty in Mazhang Town, established dynamic monitoring and aiding work book to prevent returning to poverty, and dynamic monitored the changes in income and expenditure, “no two worries about food and clothing, and three guarantees of compulsory education, basic medical care and housing security”, drinking water, employment and other basic information, thereby consolidating the results of poverty alleviation work while maintaining real-time monitoring. The Youth Civilisation Unit Project of Wuhan Chenming, a subsidiary of the Company, actively responded to the call of the Youth League Municipal Committee and organised a paired assistance activity with the theme of “Poverty Alleviation and Student Aid”. The labour union and the Youth League Committee of Zhuankou Street Office fulfilled a small wish for impoverished children every quarter, delivering living supplies and school supplies to children from poor families. In the next step, the Company will actively participate in “poverty alleviation” and other activities to support poverty alleviation and rural revitalisation & construction, while striving to achieve steady economic performance improvement.

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 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
	Shandong Chenming Paper Holdings Limited	Specific remedial measures for non-public Preference Shares	In view of the impacts on dilution of current returns for ordinary shareholders under the Preference Shares issuance, and in order to implement the Notice of the General Office of the State Council on Further Strengthening Protection of the Lawful Rights of Small Investors in Capital Markets, protect the interests of ordinary shareholders and provide remedies for the possible dilution on current returns as a result of Preference Shares issuance, the Company has undertaken that it will implement various measures to ensure the effective utilisation of proceeds raised, which can prevent dilution on current returns effectively, thereby enhancing future returns.	25 March 2016	24 September 2021	Has been implemented
	Whether undertakings performed on time 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		Yes Not applicable			

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

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

There were no retrospective restatements to correct major accounting errors of the Company during the reporting period.

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 reporting period, 6 companies were added to the scope of consolidation, including 5 newly established subsidiaries, namely Shanghai Chenyin Trading Co. Ltd, Nanchang Shengheng Trading Co., Ltd., Nanchang Kunheng Trading Co., Ltd., Weifang Chendu Equity Investment Partnership (Limited Partnership) and Huanggang Chenming Pulp & Fiber Trading Co., Ltd., and a subsidiary was acquired not within the definition of business, namely Wuhan Junheng Property Management Co. Ltd.

During the reporting period, 7 companies were reduced from the scope of consolidation. A subsidiary, Shandong Chenming Coated Paper Sales Co Ltd, was absorbed into the Group. In order to further focus on the principal business of pulp production and paper making, divest non-principal business assets and optimise resource allocation, the Company disposed of 6 subsidiaries, namely Zhanjiang Chenming New-style Wall Materials Co., Ltd, Chengdu Chenming Culture Communication Co., Ltd., Shandong Chenming Power Supply Holdings Co., Ltd, Shandong Chenming Panels Co., Ltd., Shouguang Chenming Cement Co., Limited and Shouguang Chenming Floor Board Co., Ltd.

VIII Material Matters

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	3
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	2

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 2021. The Company paid RMB800,000 as internal control audit fees during the 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 paid RMB1,500,000 as financial advisor fees during the period. The Company engaged Guotai Junan Capital Limited as its overseas financial advisor, and paid RMB500,000 as financial advisor fees during the 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.

XI. Material litigation and arbitration

Applicable Not applicable

General information on the litigation (arbitration)	Amount involved	Whether provisions are		Trial results and impact	Enforcement of judgment	Date of disclosure	Disclosure index
		made	Progress				
Statutory demand and winding-up petition	HK\$389,112,432.44	Yes	No progress during the reporting period	No	Not applicable	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	Improper operation and management of online monitoring equipment	General administrative penalties	On 17 December 2020, the Nanchang Municipal Ecological Environment Bureau, together with the Northern Jiangxi Commissioner's Office and the Environmental Information Center, inspected the wastewater station of Jiangxi Chenming Paper Co., Ltd. and found that there were some operation and maintenance and management irregularities in respect of the wastewater online monitoring equipment. Although the normal operation of the testing equipment was not guaranteed, no environmental pollution was caused as a result. Hence, Jiangxi Chenming was fined RMB21,000 in accordance with the law.	Not applicable	Not applicable

Rectification

Applicable Not applicable

In response to the above issues, Jiangxi Chenming immediately organised the rectification of online facilities, strengthened the operation and maintenance management of online devices, and regularly conducted comparison to ensure the normal operation of the monitoring equipment.

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 transactions	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	6,435.19	6.69%	Not applicable	No	Bank acceptance and telegraphic transfer	Not applicable	Not applicable	Not applicable
Total				-	-	6,435.19	-	-	-	-	-	-	-
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)						Not applicable							

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.

XIV. Significant related party transactions (Continued)

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 payable to related parties:

Related party	Relationship with the Company	Reason	Was there any non-operating capital occupation	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount repaid during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
Chenming Holdings Company Limited	The controlling shareholder	Financial support	No	0.00	45,250.00	45,250.00	Market interest rate	160.16	0.00
Guangdong Nanyue Bank Co., Ltd.	An associate	Borrowing	No	171,666.46	260,100.00	211,666.46	Market interest rate	9,088.74	220,100.00

Effect of related creditors' rights 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.

Debts receivable from any related party:

Related party	Relationship with the Company	Reason	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)
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture	Financial support	No	1,630.72	0.00	0.00	6.00%	99.20	1,729.92
Weifang Sime Darby West Port Co., Ltd.	A joint venture	Financial support	No	6,847.61	6,800.00	5,950.00	6.00%	369.18	8,066.79

Effect of related creditors' rights on the operating results and financial position of the Company

The above creditors' rights do not affect the ordinary operation of the Company. Moreover, they have catered to the needs for development of existing businesses of Shouguang Meite Environmental and Weifang Sime Darby West Port and lowered the financing costs.

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	2021
Short-term leases	8,342,848.21
Total	8,342,848.21

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	2021
Lease income	126,934,400.32

XV. Material contracts and implementation *(Continued)*

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

(3) 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	2021.12.31
Within 1 year after the balance sheet date	183,225,224.23
1 to 2 years after the balance sheet date	189,101,114.41
2 to 3 years after the balance sheet date	143,884,024.48
3 to 4 years after the balance sheet date	95,451,939.66
4 to 5 years after the balance sheet date	76,068,806.83
More than 5 years after the balance sheet date	87,970,613.99
Total	775,701,723.61

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.

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 RMB7,760.6715 million. The subsidiaries provided guarantee to their subsidiaries and the guarantee amount incurred was RMB213.0852 million.

As at 31 December 2021, 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 RMB10,949.3184 million, representing 57.36% of the equity attributable to shareholders of the Company as at the end of 2021.

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)							Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee	Term		
Weifang Sime Darby West Port Co., Ltd	24 July 2017	17,500.00	20 December 2017	12,000.00	General guarantee	Credit guarantee	Shareholders' pro rata guarantee	10 years	No	Yes
Zhanjiang Runbao Trading Co., Ltd.	4 December 2020	16,000.00	4 December 2020	16,000.00	Pledge	34.64% equity interest in Wuhan Chenming	Equity transfer payment of RMB160 million	2 years	No	No
Zhanjiang Dingjin Trading Co., Ltd.	4 December 2020	13,558.19	4 December 2020	13,558.19	Pledge	Properties	Equity transfer payment of RMB136 million	2 years	No	No
Total external guarantees approved during the reporting period (A1)		0.00	Total actual external guarantees during the reporting period (A2)							0.00
Total external guarantees approved at the end of the reporting period (A3)		47,058.19	Balance of total actual guarantees at the end of the reporting period (A4)							41,558.19

XV. Material contracts and implementation *(Continued)*

2. Significant guarantees *(Continued)*

(1) 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 provided	Type of guarantee	Collateral	Counter-guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	1,088,000.00		27 December 2019	374,138.46	General guarantee	Credit guarantee		5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 March 2020	150,000.00		16 October 2020	36,240.00	General guarantee	Credit guarantee		5 years	No	No
Shouguang Meilun Paper Co., Ltd.	27 March 2020	400,000.00		7 July 2021	122,532.06	General guarantee	Credit guarantee		5 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	25 March 2021	500,000.00		19 July 2021	71,500.00	General guarantee	Credit guarantee		2 years	No	No
Huanggang Chenming Pulp & Paper Technology Co., Ltd.	25 March 2021	500,000.00							10 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2019	350,000.00		28 June 2019	189,580.55	General guarantee	Credit guarantee		5 years	No	No
Jilin Chenming Paper Co., Ltd.	30 March 2019	150,000.00		31 March 2021	11,658.00	General guarantee	Credit guarantee		5 years	No	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	18 October 2019	100,000.00		17 December 2021	3,000.00	General guarantee	Credit guarantee		3 years	No	No
Shandong Chenming Group Finance Co., Ltd.	25 March 2021	300,000.00							3 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	25 March 2021	200,000.00							2 years	No	No
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	25 March 2021	20,000.00							3 years	No	No
Guangzhou Chenming Financial Leasing Co., Ltd.	25 March 2021	20,000.00							3 years	No	No
Shandong Chenming Paper Sales Co., Ltd.	30 March 2019	600,000.00		7 May 2021	67,358.55	General guarantee	Credit guarantee		5 years	No	No

XV. Material contracts and implementation (Continued)

2. Significant guarantees (Continued)

(1) 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	Type of guarantee	Collateral	Counter-guarantee	Term	Fulfilled or not	Guarantee to related parties or not
		Guarantee date								
Chenming (HK) Limited	25 March 2021	100,000.00	11 March 2021	57,493.96	General guarantee	Credit guarantee		3 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	30 March 2019	50,000.00						5 years	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2019	300,000.00	21 June 2021	12,000.00	General guarantee	Credit guarantee		5 years	No	No
Shandong Chenming Commercial Factoring Co., Ltd.	25 March 2021	100,000.00						3 years	No	No
Kunshan Tuoan Plastic Products Co., Ltd.	25 March 2021	10,000.00						3 years	No	No
Shouguang Hongyi Decorative Packaging Co., Ltd.	25 March 2021	5,000.00						3 years	No	No
Shouguang Hongxin Printing and Packaging Co., Ltd	25 March 2021	5,000.00						3 years	No	No
Shouguang Chenming Modern Logistic Co., Ltd	25 March 2021	5,000.00						3 years	No	No
Shandong Grand View Hotel Co., Ltd.	25 March 2021	5,000.00						3 years	No	No
Shouguang Chenming Papermaking Machine Co., Ltd.	25 March 2021	5,000.00						3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		1,775,000.00	Total amount of guarantee provided for subsidiaries during the reporting period (B2)							776,067.15
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		4,963,000.00	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)							945,501.58

VIII Material Matters

XV. Material contracts and implementation (Continued)

2. Significant guarantees (Continued)

(1) Guarantees (Continued)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantees between subsidiaries				Counter-guarantee	Term	Fulfilled or not	Guarantee to related parties or not	
			Guarantee date	Guarantee provided	Type of guarantee	Collateral					
Chenming (HK) Limited	30 March 2019	200,000.00	28 March 2019	9,563.55	General guarantee	Credit guarantee		5 years	No	No	
Chenming (HK) Limited	30 March 2019	100,000.00	17 March 2021	9,308.52	General guarantee	Credit guarantee		5 years	No	No	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	7 August 2020	12,000.00	16 August 2021	12,000.00	General guarantee	Credit guarantee		3 years	No	No	
Shouguang Meilun Paper Co., Ltd.	4 December 2020	20,000.00	4 December 2020	20,000.00	Pledge	Properties		2 years	No	No	
Shouguang Meilun Paper Co., Ltd.	4 December 2020	36,400.00	4 December 2020	36,400.00	Pledge	Properties		3 years	No	No	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	4 December 2020	3,000.00	4 December 2020	600.00	Pledge	Properties		3 years	No	No	
Huanggang Chenming Pulp & Paper Co., Ltd.	4 December 2020	20,000.00	4 December 2020	20,000.00	Pledge	Properties		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)								21,308.52
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		391,400.00	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)								107,872.07
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)		1,775,000.00	Total amount of guarantee during the reporting period (A2+B2+C2)								797,375.67
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		5,401,458.19	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)								1,094,931.84
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company										57.36%	
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)										91,358.55	
Total amount of guarantee provided in excess of 50% of net assets (F)										140,442.93	
Sum of the above three amount of guarantee (D+E+F)										231,801.48	
For outstanding guarantee contracts, a description of the circumstances under which the guarantee obligation has occurred during the reporting period or where there is evidence of potential joint and several liability (if any)										Nil	
External guarantees against the rules and regulations (if any)										Nil	

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

XVI. Other matters of significance

Applicable Not applicable

1. 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 (B-to-H Conversion)

On 29 January 2021 and 9 March 2021, the Company held the seventeenth extraordinary meeting of the ninth session of the Board and the 2021 first extraordinary general meeting, the 2021 first class meeting for holders of domestic-listed shares, and the 2021 first class meeting for holders of overseas-listed shares. Proposal on the Domestic Listed Foreign Shares of the Company Changing Listing Venue to be Listed and Traded on the Main Board of the Stock Exchange of Hong Kong Limited by Way of Conversion and related matters were considered and approved.

On 29 June 2021, the Company received the CSRC Acceptance Notice of the Application for Administrative Permission issued by the China Securities Regulatory Commission, stating that it had decided to accept the administrative license application.

On 6 August 2021, the Company disclosed the Announcement of 2020 Dividend Distribution Implementation for A Shares and B Shares. The dividend on B Shares would be paid in Hong Kong dollar at the medium exchange rate of Renminbi to Hong Kong dollar (HK\$: RMB = 1: 0.8315) as announced by the People's Bank of China on 21 June 2021, and a dividend of approximately HK\$0.222 per share would be distributed to the holders of B Shares. According to the relevant mandates from the 2021 first extraordinary general meeting, the 2021 first class meeting for holders of domestic-listed shares and the 2021 first class meeting for holders of overseas-listed shares of the Company, the cash option cash consideration was adjusted from HK\$3.33/share to HK\$3.11/share upon ex-dividend.

On 12 November 2021, China Securities Regulatory Commission approved the conversion of 706,385,266 domestic-listed foreign shares into overseas-listed shares by the Company and their listing on the Main Board of the Hong Kong Stock Exchange.

For details, please refer to the relevant announcements (announcement no.: 2021-003, 2021-018, 2021-053, 2021-074 and 2021-094) of the Company published on CNINFO on 30 January, 10 March, 1 July, 19 August and 23 November in 2021.

2. Full redemption of 45 million Preference Shares

On 18 February 2021, the Company held the eighteenth extraordinary meeting of the ninth session of the Board to consider and approve the Resolution on Redemption of the First-tranche Preference Shares, and agreed to the Company redeeming in full 22.5 million first-tranche Preference Shares, with the redeeming price being the par value of the Preference Shares (RMB100 per share) plus current resolved payment of but unpaid fixed dividends. The accounting date of the redemption amount was the date of distribution of fixed dividends of the Preference Shares. The independent Directors provided independent opinions.

On 17 March 2021, the Company entrusted the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to pay shareholders of the first-tranche Preference Shares a total of RMB2,348,100,000 in full to redeem all the 22.5 million first-tranche Preference Shares in issue of the Company, and such Preference Shares were delisted from the Shenzhen Stock Exchange on 18 March 2021.

XVI. Other matters of significance *(Continued)*

2. Full redemption of 45 million Preference Shares *(Continued)*

On 15 July 2021, the Company held the twentieth extraordinary meeting of the ninth session of the Board to consider and approve the Resolution on Redemption of the Second-tranche and Third-tranche Preferred Shares, and agreed to the Company redeeming in full 10 million second-tranche Preference Shares and 12.5 million third-tranche Preference Shares, with the redeeming price being the par value of the Preference Shares (RMB100 per share) plus current resolved payment of but unpaid fixed dividends. The accounting date of the redemption amount was the date of distribution of fixed dividends of the Preference Shares. The independent Directors provided independent opinions.

On 16 August 2021, the Company entrusted the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to pay shareholders of the second-tranche Preference Shares a total of RMB1,051,700,000 in full to redeem all the 10 million second-tranche Preference Shares in issue of the Company, and such Preference Shares were delisted from the Shenzhen Stock Exchange on 19 August 2021.

On 22 September 2021, the Company entrusted the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to pay shareholders of the third-tranche Preference Shares a total of RMB1,314,625,000 in full to redeem all the 12.50 million third-tranche Preference Shares in issue of the Company, and such Preference Shares were delisted from the Shenzhen Stock Exchange on 24 September 2021.

For further details, please refer to the relevant announcements (announcement No.: 2021-013, 2021-014, 2021-023, 2021-060, 2021-061, 2021-073 and 2021-081) disclosed by the Company on CNINFO on 19 February, 19 March, 16 July, 19 August and 24 September in 2021.

3. Completion of resale and delisting for “17 Chenming Bond 01”

The Company implemented the resale of the corporate bonds “17 Chenming Bond 01” as agreed in the Prospectus on the Public Issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2017 (phase I) at the resale price of RMB107.28 per bond (including accrued interest of RMB7.28 per bond for the current period and the accrued interest including tax). During the resale declaration period (from 12 July 2021 to 16 July 2021), 900,000 bonds were registered for resale. After the resale, the number of outstanding bonds to be resold was 0. On 23 August 2021, the Company entrusted the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited with the completion of the payment of principle and interest of the partial resale of “17 Chenming Bond 01”, and such bonds were delisted from the Shenzhen Stock Exchange on the same date.

For further details, please refer to the relevant announcements No. 2021-075 and No.2021 – 076 disclosed by the Company on CNINFO on 19 August 2021.

XVI. Other matters of significance *(Continued)*

4. Information disclosure index for 2021

Announcement no.	Subject matter	Date of publication	Publication website and index
2021-001	Announcement on the Release of Pledge of Shares held by Shareholders	5 January 2021	http://www.cninfo.com.cn
2021-002	Announcement on the Release of Pledge and Continued Pledge of Shares held by Shareholders	19 January 2021	http://www.cninfo.com.cn
2021-003	Announcement on Resolutions of the Seventeenth Extraordinary Meeting of the Ninth Session of the Board	30 January 2021	http://www.cninfo.com.cn
2021-004	Notice of the 2021 First Extraordinary General Meeting, the 2021 First Class Meeting for Holders of Domestic-listed Shares and the 2021 First Class Meeting for Holders of Overseas-listed Shares	30 January 2021	http://www.cninfo.com.cn
2021-005	Announcement on the Solicitation of Voting Rights by the Independent Director	30 January 2021	http://www.cninfo.com.cn
2021-006	Announcement on Receipt of Government Subsidies by Wholly-owned Subsidiaries	30 January 2021	http://www.cninfo.com.cn
2021-007	Supplemental Notice on Convening the 2021 First Extraordinary General Meeting, the 2021 First Class Meeting for Holders of Domestic Listed Shares and the 2021 First Class Meeting for Holders of Overseas-listed Shares	3 February 2021	http://www.cninfo.com.cn
2021-008	Announcement on Unusual Movement in Share Trading	4 February 2021	http://www.cninfo.com.cn
2021-009	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	10 February 2021	http://www.cninfo.com.cn
2021-010	Announcement on Receipt of High and New Technology Enterprise Certificate by a Subsidiary	10 February 2021	http://www.cninfo.com.cn
2021-011	Amendment Announcement on The Proposal on the Domestic Listed Foreign Shares of the Company Changing Listing Venue to be Listed and Traded on the Main Board of The Stock Exchange of Hong Kong Limited by way of Conversion	18 February 2021	http://www.cninfo.com.cn
2021-012	Announcement on Unusual Movement in Share Trading	18 February 2021	http://www.cninfo.com.cn
2021-013	Announcement in respect of Resolutions of the Eighteenth Extraordinary Meeting of the Ninth Session of the Board of Directors	19 February 2021	http://www.cninfo.com.cn
2021-014	The First Indicative Announcement on the Redemption of the First-tranche Preference Shares	19 February 2021	http://www.cninfo.com.cn
2021-015	Announcement on Unusual Movement in Share Trading	19 February 2021	http://www.cninfo.com.cn

XVI. Other matters of significance *(Continued)*4. Information disclosure index for 2021 *(Continued)*

Announcement no.	Subject matter	Date of publication	Publication website and index
2021-016	The Second Indicative Announcement on the Redemption of the First-tranche Preference Shares	26 February 2021	http://www.cninfo.com.cn
2021-017	The Third Indicative Announcement on the Redemption of the First-tranche Preference Shares	5 March 2021	http://www.cninfo.com.cn
2021-018	Announcement on Resolution of the 2021 First Extraordinary General Meeting, the 2021 First Class Meeting for Holders of Domestic-listed Shares, and the 2021 First Class Meeting for Holders of Overseas-listed Shares	10 March 2021	http://www.cninfo.com.cn
2021-019	Announcement on the Full Redemption and Delisting of the First-tranche Preference Shares	12 March 2021	http://www.cninfo.com.cn
2021-020	The First Indicative Announcement on the Delisting of the First-tranche Preference Shares	12 March 2021	http://www.cninfo.com.cn
2021-021	Supplemental Announcement on the Poll Results of 2021 First Class Meeting for Holders of Overseas-listed Shares	13 March 2021	http://www.cninfo.com.cn
2021-022	Announcement on the Delisting of the First-tranche Preference Shares	16 March 2021	http://www.cninfo.com.cn
2021-023	Announcement on the Redemption Result of the First-tranche Preference Shares	19 March 2021	http://www.cninfo.com.cn
2021-024	Announcement in respect of Resolutions of the Eighth Meeting of the Ninth Session of the Board of Directors	26 March 2021	http://www.cninfo.com.cn
2021-025	Announcement on Resolutions of the Eighth Extraordinary Meeting of the Ninth Session of the Supervisory Committee	26 March 2021	http://www.cninfo.com.cn
2021-026	Notice of 2020 Annual General Meeting	26 March 2021	http://www.cninfo.com.cn
2021-027	Announcement on Appointment of Auditor for 2021	26 March 2021	http://www.cninfo.com.cn
2021-028	Announcement on the Adjustment to the Guarantee Amount for Certain Subsidiaries	26 March 2021	http://www.cninfo.com.cn
2021-029	Announcement on Carrying out Factoring Business of Accounts Receivable	26 March 2021	http://www.cninfo.com.cn
2021-030	Announcement on the Receipt of Financial Assistance and Related Party Transaction	26 March 2021	http://www.cninfo.com.cn
2021-031	Announcement on the Resignation of Senior Management of the Company	26 March 2021	http://www.cninfo.com.cn
2021-032	2020 Annual Report Summary	26 March 2021	http://www.cninfo.com.cn
2021-033	Announcement on the 2020 Annual Online Performance Briefing	26 March 2021	http://www.cninfo.com.cn
2021-034	Announcement on the Signing of the Convertible Bond Strategic Cooperation Framework Agreement	26 March 2021	http://www.cninfo.com.cn
2021-035	Supplemental Announcement in respect of Resolutions of the Eighth Meeting of the Ninth Session of the Board of Directors	27 March 2021	http://www.cninfo.com.cn
2021-036	Shandong Chenming Paper Holdings Limited Announcement on Payment of 2021 Interest with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018	31 March 2021	http://www.cninfo.com.cn
2021-037	Announcement on the Release of Pledge of Shares held by Shareholders	2 April 2021	http://www.cninfo.com.cn
2021-038	2021 First Quarterly Results Forecast	7 April 2021	http://www.cninfo.com.cn

XVI. Other matters of significance *(Continued)*

4. Information disclosure index for 2021 *(Continued)*

Announcement no.	Subject matter	Date of publication	Publication website and index
2021-039	2021 First Quarterly Report	20 April 2021	http://www.cninfo.com.cn
2021-040	Announcement on the Resignation of Employee Representative Supervisors and the By-election of Supervisors	20 April 2021	http://www.cninfo.com.cn
2021-041	Announcement on Pledge of Shareholders' Shares	22 April 2021	http://www.cninfo.com.cn
2021-042	Announcement on the Development of Financing Business and the Provision of Guarantees	30 April 2021	http://www.cninfo.com.cn
2021-043	Announcement on Receipt of Government Subsidies by Subsidiaries	15 June 2021	http://www.cninfo.com.cn
2021-044	Announcement on Resolutions of 2020 Annual General Meeting	19 June 2021	http://www.cninfo.com.cn
2021-045	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary	23 June 2021	http://www.cninfo.com.cn
2021-046	Announcement on Resolutions of the Nineteenth Extraordinary Meeting of the Ninth Session of the Board of Directors	26 June 2021	http://www.cninfo.com.cn
2021-047	Announcement on Capital Increase and Introduction of Strategic Investors of a Majority-owned Subsidiary	26 June 2021	http://www.cninfo.com.cn
2021-048	Announcement on the Development of Equipment Financing Business	26 June 2021	http://www.cninfo.com.cn
2021-049	Announcement on External Investment	26 June 2021	http://www.cninfo.com.cn
2021-050	Announcement in respect of Provision of Guarantee in Favour of Subsidiaries by a Wholly-owned Subsidiary	26 June 2021	http://www.cninfo.com.cn
2021-051	Announcement on Receipt of Government Subsidies by the Subsidiary Zhanjiang Chenming	26 June 2021	http://www.cninfo.com.cn
2021-052	Announcement on Pledge of Shareholders' Shares	29 June 2021	http://www.cninfo.com.cn
2021-053	Announcement on Progress of 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	1 July 2021	http://www.cninfo.com.cn
2021-054	The First Indicative Announcement on Non-adjustment of Coupon Rate of "17 Chenming Bond 01" and Implementation Measures for Resale by Investors	9 July 2021	http://www.cninfo.com.cn
2021-055	Announcement on the Resignation of Senior Management of the Company	10 July 2021	http://www.cninfo.com.cn
2021-056	2021 Interim Results Forecast	10 July 2021	http://www.cninfo.com.cn
2021-057	Announcement on Pledge of Shareholders' Shares	14 July 2021	http://www.cninfo.com.cn
2021-058	The Second Indicative Announcement on Non-adjustment of Coupon Rate of "17 Chenming Bond 01" and Implementation Measures for Resale by Investors	14 July 2021	http://www.cninfo.com.cn
2021-059	The Third Indicative Announcement on Non-adjustment of Coupon Rate of "17 Chenming Bond 01" and Implementation Measures for Resale by Investors	15 July 2021	http://www.cninfo.com.cn
2021-060	Announcement on Resolutions of the Twentieth Extraordinary Meeting of the Ninth Session of the Board of Directors	16 July 2021	http://www.cninfo.com.cn

XVI. Other matters of significance *(Continued)*4. Information disclosure index for 2021 *(Continued)*

Announcement no.	Subject matter	Date of publication	Publication website and index
2021-061	The First Indicative Announcement on the Matters Relating to Redeeming the Second and Third Tranches of Preference Shares	16 July 2021	http://www.cninfo.com.cn
2021-062	The Second Indicative Announcement on the Matters Relating to Redeeming the Second and Third Tranches of Preference Shares	23 July 2021	http://www.cninfo.com.cn
2021-063	Announcement on the Continued Pledge of Shares held by Shareholders	24 July 2021	http://www.cninfo.com.cn
2021-064	The Third Indicative Announcement on the Matters Relating to Redeeming the Second and Third Tranches of Preference Shares	30 July 2021	http://www.cninfo.com.cn
2021-065	Announcement on the Implementation of the Participation of Preferred Shareholders in the Remaining Profit Distribution for 2020	6 August 2021	http://www.cninfo.com.cn
2021-066	Announcement on the Implementation of Dividend Distribution to Holders of A Shares and B Shares for 2020	6 August 2021	http://www.cninfo.com.cn
2021-067	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	9 August 2021	http://www.cninfo.com.cn
2021-068	Announcement on Resolutions of the Twenty-first Extraordinary Meeting of the Ninth Session of the Board	9 August 2021	http://www.cninfo.com.cn
2021-069	Announcement on the Change and Rotation of the General Manager	9 August 2021	http://www.cninfo.com.cn
2021-070	Announcement on the Full Redemption of the Second-tranche Preference Shares	11 August 2021	http://www.cninfo.com.cn
2021-071	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	12 August 2021	http://www.cninfo.com.cn
2021-072	Announcement on Halt of Trading of the Second Tranche of Preference Shares	14 August 2021	http://www.cninfo.com.cn
2021-073	Announcement on Redemption Result and Delisting of the Second Tranche of Preference Shares	19 August 2021	http://www.cninfo.com.cn
2021-074	Announcement on Adjustment of Cash Option Cash Consideration 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	19 August 2021	http://www.cninfo.com.cn
2021-075	Announcement on Payment of 2021 Interest with respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2017	19 August 2021	http://www.cninfo.com.cn
2021-076	Announcement on "17 Chenming Bond 01" Resale Result and Delisting	19 August 2021	http://www.cninfo.com.cn
2021-077	2021 Interim Report Summary	27 August 2021	http://www.cninfo.com.cn
2021-078	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	9 September 2021	http://www.cninfo.com.cn
2021-079	Announcement on Full Redemption of the Third Tranche of Preference Shares	10 September 2021	http://www.cninfo.com.cn
2021-080	Announcement on Trading Halt of the Third Tranche of Preference Shares	18 September 2021	http://www.cninfo.com.cn

XVI. Other matters of significance *(Continued)*

4. Information disclosure index for 2021 *(Continued)*

Announcement no.	Subject matter	Date of publication	Publication website and index
2021-081	Announcement on the Third Tranche of Preference Shares Redemption Result and Delisting	24 September 2021	http://www.cninfo.com.cn
2021-082	Announcement on Resolutions of the Twenty-second Extraordinary Meeting of the Ninth Session of the Board	24 September 2021	http://www.cninfo.com.cn
2021-083	Announcement on Capital Increase and Introduction of Strategic Investors of a Majority-owned Subsidiary	24 September 2021	http://www.cninfo.com.cn
2021-084	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	24 September 2021	http://www.cninfo.com.cn
2021-085	Announcement on the Receipt of Government Grants	30 September 2021	http://www.cninfo.com.cn
2021-086	Announcement on Estimated Results for the Nine Months Ended 30 September 2021	15 October 2021	http://www.cninfo.com.cn
2021-087	2021 Third Quarterly Report	30 October 2021	http://www.cninfo.com.cn
2021-088	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	10 November 2021	http://www.cninfo.com.cn
2021-089	Announcement on Participation in the 2021 Annual Online Group Reception Day for Investors of Listed Companies in Shandong Jurisdiction	13 November 2021	http://www.cninfo.com.cn
2021-090	Announcement on Resolutions of the Twenty-third Extraordinary Meeting of the Ninth Session of the Board	16 November 2021	http://www.cninfo.com.cn
2021-091	Announcement on the provision of financial support to a shareholding company and connected transaction	16 November 2021	http://www.cninfo.com.cn
2021-092	Notice of the Second Extraordinary General Meeting of 2021	16 November 2021	http://www.cninfo.com.cn
2021-093	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	20 November 2021	http://www.cninfo.com.cn
2021-094	Announcement on 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 approved by China Securities Regulatory Commission	23 November 2021	http://www.cninfo.com.cn
2021-095	Supplemental Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	27 November 2021	http://www.cninfo.com.cn
2021-096	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	27 November 2021	http://www.cninfo.com.cn
2021-097	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	6 December 2021	http://www.cninfo.com.cn
2021-098	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	11 December 2021	http://www.cninfo.com.cn
2021-099	Announcement on Resolutions of the Second Extraordinary General Meeting of 2021	14 December 2021	http://www.cninfo.com.cn
2021-100	Announcement on the Development of Equipment Financing Business	31 December 2021	http://www.cninfo.com.cn

XVII. Matters of significant of subsidiaries of the Company

Applicable Not applicable

1. Introduction of strategic investors by Shouguang Meilun

On 25 June 2021, the 19th extraordinary meeting of the ninth 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. The Company introduced CCB Financial Assets Investment Company Limited (on behalf of the CCB Investment-Shandong Development Debt-to-Equity Swap Investment Scheme) and SWSC Innovation Investment Co., Ltd. to contribute capital to Shouguang Meilun. CCB Financial Assets Investment Company Limited (on behalf of the CCB Investment-Shandong Development Debt-to-Equity Swap Investment Scheme) and SWSC Innovation made a capital contribution amount of RMB1.4 billion and RMB0.2 billion, respectively.

For details, please refer to the relevant announcements (announcement no.: 2021-046 and 2021-047) of the Company published on CNINFO on 26 June 2021.

2. Introduction of strategic investors by Zhanjiang Chenming

On 23 September 2021, the 22nd extraordinary meeting of the ninth 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. The Company introduced Beijing Chuanfa Investment Management Co., Ltd. to contribute capital amounting to RMB350,000,000 to Zhanjiang Chenming Pulp & Paper Co., Ltd.

For further details, please refer to the relevant announcements no. 2021-082 and No. 2021 – 083 disclosed by the Company on CNINFO on 24 September 2021.

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	Converted from reserves	Others	Subtotal	Amount	Percentage
I. Restricted shares	90,276,324	3.03%				-5,542,803	-5,542,803	84,733,521	2.84%
1. Shares held by other domestic investors	90,276,324	3.03%				-5,542,803	-5,542,803	84,733,521	2.84%
Of which: Shares held by domestic natural persons	90,276,324	3.03%				-5,542,803	-5,542,803	84,733,521	2.84%
II. Non-restricted shares	2,893,931,876	96.97%				5,542,803	5,542,803	2,899,474,679	97.16%
1. RMB ordinary shares	1,659,241,360	55.60%				5,542,803	5,542,803	1,664,784,163	55.79%
2. Domestic listed foreign shares	706,385,266	23.67%						706,385,266	23.67%
3. Overseas listed foreign shares	528,305,250	17.70%						528,305,250	17.70%
III. Total number of shares	2,984,208,200	100.00%						2,984,208,200	100.00%

The reasons for such changes

Applicable Not applicable

- ① According to the Practice Guidance for the Company's Shares Held by the Directors, Supervisors and Senior Management of the Listed Companies of Shenzhen Stock Exchange, during the reporting period, 18,750 restricted RMB ordinary shares (A shares) held by Supervisors who resigned became non-restricted shares; and 179,238 unrestricted RMB ordinary shares (A shares) held by the Senior Management who resigned became restricted shares.
- ② On 15 July 2020, 79,600,000 A shares granted to the participants under the 2020 Restricted A Shares Incentive Scheme of the Company were issued and listed. From 1 January 2021, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited had adjusted the calculation base of the transfer quota for Directors and Senior Management granted restricted shares, and 5,703,291 restricted RMB ordinary shares (A shares) became non-restricted shares.

Approval of changes in shareholding

Applicable Not applicable

Transfer of shares arising from changes in shareholding

Applicable Not applicable

IX Changes in Share Capital and Shareholders

I. Changes in shares (Continued)

1. Changes in shares (Continued)

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

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	28,310,033		5,000,000	23,310,033	Restricted share 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
Li Xueqin	3,645,991		645,991	3,000,000	Restricted share 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
Li Weixian	2,060,900		57,300	2,003,600	Restricted share 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
Li Dong	75,000		18,750	56,250	Locked-up shares of Directors, Supervisors and Senior Management	Under relevant requirements for shares held by Directors, Supervisors and Senior Management
Geng Guanglin	2,537,712	179,238		2,716,950	Restricted share 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
Total	36,629,636	179,238	5,722,041	31,086,833	—	—

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

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	183,981, of which 161,495 were holders of A shares, 22,152 were holders of B shares and 334 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	175,747, of which 153,135 were holders of A shares, 22,279 were holders of B shares and 333 were holders of H shares	Total number of holders of Preference Shares with restored voting right as at the end of the reporting period (if any) (Note VIII)	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 (if any) (Note VIII)	0
---	--	--	--	--	---	---	---

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 restricted shares held	Number of non-restricted shares held	Share pledged or locked-up Status of shares	
							Number	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.32%	457,322,919	0	0	457,322,919	Pledged	255,150,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.52%	373,506,375	147,250	0	373,506,375		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.20%	364,131,563	0	0	364,131,563		
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	0.55%	16,387,817	16,387,817	0	16,387,817		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.50%	14,771,945	0	0	14,771,945		
HONG KONG SECURITIES CLEARING COMPANY LIMITED	Overseas legal person	0.47%	14,060,971	-20,107,359	0	14,060,971		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.47%	14,013,646	891,700	0	14,013,646		
GOLDMAN SACHS INTL	Overseas legal person	0.39%	11,687,819	11,678,100	0	11,687,819		
MORGAN STANLEY & CO. INTERNATIONAL PLC	Overseas legal person	0.37%	11,041,883	10,822,774	0	11,041,883		
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 ordinary shareholders Number of non-restricted ordinary 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	373,506,375	Overseas listed foreign shares	373,506,375
CHENMING HOLDINGS (HONG KONG) LIMITED	210,717,563	Domestic listed foreign shares	210,717,563
	153,414,000	Overseas listed foreign shares	153,414,000
SHANDONG SUN HOLDINGS GROUP CO., LTD.	16,387,817	RMB ordinary shares	16,387,817
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,771,945	Domestic listed foreign shares	14,771,945
HONG KONG SECURITIES CLEARING COMPANY LIMITED	14,060,971	RMB ordinary shares	14,060,971
VANGUARD EMERGING MARKETS STOCK INDEX FUND	14,013,646	Domestic listed foreign shares	14,013,646
GOLDMAN SACHS INTL	11,687,819	Domestic listed foreign shares	11,687,819
MORGAN STANLEY & CO. INTERNATIONAL PLC	11,041,883	Domestic listed foreign shares	11,041,883
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	10,513,163	Domestic listed foreign shares	10,513,163
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, Shouguang 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 368,522,919 shares were held through ordinary account and 88,800,000 shares were held through credit guarantee security account. Shandong Sun Holdings Group Co., Ltd. held 16,387,817 RMB ordinary shares, of which no share was held through ordinary account and 16,387,817 shares were held through credit guarantee security account.	

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

1. Total number of shareholders and shareholdings (Continued)

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.

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.

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

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.			

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

I. Issue and listing of Preference Shares during the past three years at the end of the reporting period

Applicable Not applicable

Method	Issue date	Issue price (RMB/share)	Coupon rate	Issue size (share)	Listing date	With listing permission (share)	Delisting date	Information of use of proceeds	Information of changes to proceeds
Private	16 March 2016	100	4.36%	22,500,000	8 April 2016	22,500,000	17 March 2021	http://www.cninfo.com.cn	Not applicable
Private	16 August 2016	100	5.17%	10,000,000	12 September 2016	10,000,000	19 August 2021	http://www.cninfo.com.cn	Not applicable
Private	21 September 2016	100	5.17%	12,500,000	24 October 2016	12,500,000	24 September 2021	http://www.cninfo.com.cn	Not applicable

X Preference Shares

II. Profit distribution for Preference Shares

Applicable Not applicable

Profit distribution for preference shares during the reporting period

Applicable Not applicable

Date of Distribution	Dividend ratio	Distributed amount (RMB) (tax inclusive)	Whether it is in compliance with the conditions and the relevant procedures of distribution	Way of dividend payment	Whether it was an accumulated dividend	Whether it participates in distribution of remaining profit
17 March 2021	4.36%	98,100,000.00	Yes	Cash	No	No
12 August 2021	4.84%	108,965,968.66	Yes	Cash	No	Yes
16 August 2021	5.17%	51,700,000.00	Yes	Cash	No	No
22 September 2021	5.17%	64,625,000.00	Yes	Cash	No	No

Any adjustment or change in profit distribution policy for preference shares

Yes No

Both earnings of the Company and retained profit of the parent company are positive during the reporting period but without profit distribution for preference shares

Applicable Not applicable

Explanation on other matters regarding distribution for preference shares

Applicable Not applicable

Holders of Preference Shares participate in profit distribution in two portions, namely the fixed dividend distributed based on a fixed dividend rate and the distribution of retained earnings realised for the year.

II. Profit distribution for Preference Shares *(Continued)*

1. Distribution of fixed dividend

According to the Articles of Association, the Company shall distribute fixed dividends to holders of the Preference Shares at fixed dividend rate if there are distributable profits after making good losses and the contribution to reserve fund according to law. The Board is authorised by the general meeting to declare and pay all dividends on the Preference Shares in accordance with the issuance plan under the framework and principles considered and approved in the general meeting in respect of the Preference Shares. The general meeting of the Company has the right to cancel part of or all of the current dividends on the Preference Shares. However, when the general meeting of the Company will consider the cancellation of part of or all of the current dividends on the Preference Shares, the Company shall inform the holders of Preference Shares at least 10 working days before the date of dividend payment in accordance with the requirements of the related authorities.

2. Participation in the distribution of retained earnings realised for the year

Holders of Preference Shares participate in the distribution of the retained earnings through receipt of cash which is non-cumulative and non-deferrable. In the event of making good losses and the contribution to reserve fund according to law, after receiving fixed dividends at fixed dividend rate as agreed, holders of Preference Shares can also participate in the distribution of the retained earnings for the year in proportion. Specific terms are as follows: the retained earnings for the year arises from net profit attributable to owners of the parent company on a consolidated basis upon distribution of relevant fixed income to holders of financial instruments such as the Preference Shares which may be classified under equity. 50% of the retained earnings shall be distributed to holders of Preference Shares and ordinary shareholders. Holders of Preference Shares shall participate in the distribution of the retained earnings by receiving cash dividends, and the ordinary shareholders shall participate in the distribution of the retained earnings by receiving cash dividends or dividends on ordinary shares.

X Preference Shares

III. Repurchase or conversion

√ Applicable □ Not applicable

1. Repurchase

√ Applicable □ Not applicable

Start date of the repurchase period	End date of the repurchase period	Repurchase Price (RMB/share)	Pricing principle	Number of shares repurchased	Proportion of shares repurchased	Total amount of funds for repurchase (RMB)	Term of the repurchase of shares	Source of funds for the repurchase	Entity to exercise the repurchase option
17 March 2021	17 March 2021	104.36	In accordance with the Prospectus of Non-public Issuance of Preference Shares, the redemption price of "Chenming You 01" shall be the par value of the Preference Shares (RMB100 per share) plus the amount of dividend declared but not yet paid for the current period (i.e. RMB4.36 per share)	22,500,000	100.00%	2,348,100,000.00	N/A	Self-owned funds	The Company
16 August 2021	16 August 2021	105.17	In accordance with the Prospectus of Non-public Issuance of Preference Shares, the redemption price of "Chenming You 02" shall be the par value of the Preference Shares (RMB100 per share) plus the amount of fixed dividend declared but not yet paid for the current period (i.e. RMB5.17 per share)	10,000,000	100.00%	1,051,700,000.00	N/A	Self-owned funds	The Company
22 September 2021	22 September 2021	105.17	In accordance with the Prospectus of Non-public Issuance of Preference Shares, the redemption price of "Chenming You 03" shall be the par value of the Preference Shares (RMB100 per share) plus the amount of fixed dividend declared but not yet paid for the current period (i.e. RMB5.17 per share)	12,500,000	100.00%	1,314,625,000.00	N/A	Self-owned funds	The Company
Impact on the capital structure of the Company	As at the end of the reporting period, the total number of the Preference Shares of the Company changed from 45 million shares to 0 shares.								
Procedures in respect of the repurchase of Preference Shares	<p>On 13 February 2015, the Resolution on the Company's Proposal on the Non-public Issue of Preference Shares was considered and approved at the 2015 first extraordinary general meeting of the Company. According to the Company's proposal on the non-public issue of Preference Shares, with the authority of the general meeting and under the framework and principles approved by the general meeting, the Board shall handle every matter related to the redemption with full power subject to related requirements, approval under laws and regulations as well as market conditions.</p> <p>On 18 February 2021, the Resolution on Redemption of the First-tranche Preference Shares was considered and approved at the 18th extraordinary meeting of the ninth session of the Board of the Company. The independent Directors issued independent opinions, agreeing the Company to redeem "Chenming You 01" in full.</p> <p>On 15 July 2021, the Resolution on Redemption of the Second – and Third – tranche Preference Shares was considered and approved at the 20th extraordinary meeting of the ninth session of the Board of the Company. The independent Directors issued independent opinions, agreeing the Company to redeem "Chenming You 02" and "Chenming You 03" in full.</p>								

X Preference Shares

III. Repurchase or conversion (*Continued*)

2. Conversion

Applicable Not applicable

There was no conversion during the reporting period.

IV. Resumption and exercise of voting rights

1. Resumption and exercise of voting rights

Applicable Not applicable

2. Shareholders and beneficial owner involved in resumption of voting rights of Preference Shares

Applicable Not applicable

V. Accounting policy and reasons thereof

Applicable Not applicable

Pursuant to the requirements of Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments, and Provisions for Differentiation between Financial Instruments and Equity Instruments and Relevant Accounting Treatment, the Preference Shares were accounted for as equity instruments as their terms satisfied requirements for such treatments.

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	7.60%	Interest is paid annually. The principal amount 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 counter-measures	No								
Overdue and outstanding bonds	<input type="checkbox"/> Applicable <input checked="" type="checkbox"/> 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

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 Ordinary 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	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	Consistent

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

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

The repayment guarantee measures of “18 Chenming Bond 01” include: setting up a special repayment working group; opening special accounts for proceeds; engaging GF Securities as the bond custodian of the bonds, and entering into the bond custody agreement with GF Securities to systematically guarantee the timely and full repayment of bond principal and interests; formulating bondholders’ meeting rules for the bonds and making reasonable and systematic arrangements to guarantee the timely and full repayment of bond principal and interests; undertaking to make strict information disclosure. The Company has designated the planning and finance department to be in charge of the coordination of bond repayment.

The Company has set up special accounts for bonds with Bank of China Limited, Shandong Branch for the bonds, and entered into the Agreement on the Supervision of Special Accounts for Corporate Bonds with Bank of China Limited, Shandong Branch (as the supervising bank of the special accounts) and GF Securities, stipulating that the special accounts shall be used specifically for receipt, deposit, transfer and repayment of principal and interest of bond proceeds, so as to ensure that the bond proceeds are used strictly in accordance with the provisions of the prospectuses, and to ensure the timely collection and transfer of bond repayments. The Company has engaged GF Securities as the bond custodian for the bonds in accordance with the Administrative Measures and entered into the Bond Custody Agreement with GF Securities. The Company has strictly fulfilled its obligation of information disclosure.

There was no change in credit enhancement mechanism, repayment plan and other repayment guarantee measures, which were consistent with relevant commitments as set out in the prospectuses, during the reporting period.

XI Bonds

III. Non-financial corporate debt financing instruments

Applicable Not applicable

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

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
2017 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	17 Lu Chenming MTN001	101779001	2017-07-11	2017-07-12	N/A	1,000,000,000.00	8.97%	Interest on perpetual medium-term notes is paid annually and the principal is repaid upon maturity.	Inter-bank bond market
2019 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	19 Lu Chenming MTN001	101900930	2019-07-15	2019-07-17	2022-07-17	700,000,000.00	6.5%	Interest is paid annually and the principal is repaid upon maturity.	Inter-bank bond market
2019 second tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	19 Lu Chenming MTN002	101901058	2019-08-09	2019-08-13	2022-08-13	500,000,000.00	6.5%	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

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 Ordinary Partnership)	Corporate Square, 35 Finance Street, Xicheng District, Beijing	Wang Zongpei and Zhao Yanmei	Wang Zongpei	010-88091190
2019 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	China Minsheng Banking Corp., Ltd.	No.2 Fuxingmennei Avenue, Xicheng District, Beijing	N/A	Su Dawei	010-56366523
	Postal Savings Bank of China Co., Ltd.	No.3 Finance Street, Xicheng District, Beijing	N/A	Zhu Weiliang	010-68857403
	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 Ordinary Partnership)	Corporate Square, 35 Finance Street, Xicheng District, Beijing	Liu Jian and Jiang Lei	Liu Jian	010-88091190
2019 second tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	China Minsheng Banking Corp., Ltd.	No.2 Fuxingmennei Avenue, Xicheng District, Beijing	N/A	Su Dawei	010-56366523
	Postal Savings Bank of China Co., Ltd.	No.3 Finance Street, Xicheng District, Beijing	N/A	Zhu Weiliang	010-68857403
	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 Ordinary Partnership)	Corporate Square, 35 Finance Street, Xicheng District, Beijing	Liu Jian and Jiang Lei	Liu Jian	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	Consistent
2019 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	700,000,000.00	700,000,000.00	0.00	Special account for proceeds is used for the deposit of special capital from bonds.	No	Consistent
2019 second tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	500,000,000.00	500,000,000.00	0.00	Special account for proceeds is used for the deposit of special capital from bonds.	No	Consistent

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

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

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

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

Unit: RMB0'000

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	65.05%	70.29%	-5.24%
Gearing ratio	72.78%	71.83%	0.95%
Quick ratio	54.59%	60.23%	-5.64%

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	174,387.65	111,910.38	55.83%
Proportion of EBITDA to total debts	13.43%	12.22%	1.21%
Interest coverage ratio	2.12	1.96	8.16%
Cash interest coverage ratio	4.45	4.71	-5.52%
EBITDA interest coverage ratio	3.32	3.02	9.93%
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

I. Auditors' Report

Type of auditor's opinion	Standard and unqualified opinions
The date of the audit report signed	30 March 2022
Name of the auditor	Grant Thornton (Special General Partnership)
Reference number of the auditor's report	Audit Report No. 371A006186 (2022)
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 2021, 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 2021 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 2021 and of its consolidated and the Company's operating results and cash flows for 2021.

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) Net realisable value of inventories

For detailed disclosures of relevant information, please see note V. 11 and note VII. 7 of the financial statements.

1. Details

The inventory balance of Chenming Paper for the year 2021 was RMB5,312,234,600, of which the inventory balance related to machine-made paper was RMB3,792,928,700, with a provision for impairment of RMB29,602,700 and a carrying value of RMB3,763,326,100. As at the balance sheet date, inventories are measured at the lower of cost or net realisable value, 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 net realisable value of inventories as a key audit matter due to the significant amount of inventories and the significant management judgement involved in determining the net realisable value of inventories.

2. Application for auditing

- (1) we identified and assessed the effectiveness of the design of internal controls relating to the provision for impairment of inventories and tested the effectiveness of such operation;
- (2) we identified and evaluated the appropriateness of the Company's policy of provision for impairment of inventories;
- (3) we supervised inventory taking and monitored the status of inventories, and checked the identification of obsolete and aged inventories;
- (4) we obtained an inventory ageing schedule and performed an analytical review of the status and turnover of aged inventories;
- (5) we obtained a copy of the inventory impairment table, and reviewed and assessed the reasonableness of the significant estimates made by management in determining the net realisable value; performed recalculations against the table, reviewed subsequent selling prices and analysed the reasonableness of the estimated selling prices.

(II) Recognition of revenue from machine-made paper

For detailed disclosures of relevant information, please see note V. 26 and note VII. 47 of the financial statements.

1. Details

For the year 2021, Chenming Paper achieved operating revenue of RMB33,019,812,300, of which RMB29,071,777,700 was from machine-made paper, accounting for 88.04% 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 and evaluated and tested the effectiveness of the design and operation of key internal controls conducted by the management related to revenue recognition;
- (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 2021 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, but not for the purpose of expressing an opinion as to the effectiveness of internal control.

- (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.
- (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 2022

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 2021

Unit: RMB

Item	31 December 2021	31 December 2020
CURRENT ASSETS:		
Monetary funds	14,119,782,939.66	17,759,537,598.98
Financial assets held for trading	110,886,182.88	192,907,800.62
Bills receivable		
Accounts receivable	2,656,517,150.46	1,984,931,665.82
Accounts receivable financing	435,459,341.76	488,385,666.76
Prepayments	891,485,078.46	964,290,512.36
Other receivables	2,252,864,083.00	2,417,240,559.46
Including: Interest receivable		
Dividend receivable		
Inventories	5,282,631,922.12	5,135,293,347.82
Non-current assets due within one year	5,216,934,172.61	4,222,744,207.34
Other current assets	1,903,929,492.85	2,716,918,695.85
Total current assets	32,870,490,363.80	35,882,250,055.01

XII Financial Report

Item	31 December 2021	31 December 2020
NON-CURRENT ASSETS:		
Long-term receivables	1,788,759,975.35	4,658,884,857.95
Long-term equity investments	1,866,587,685.35	3,906,158,402.45
Other non-current financial assets	519,927,003.25	145,910,000.00
Investment property	6,473,538,431.91	5,943,159,568.00
Fixed assets	35,653,492,676.15	37,651,706,658.97
Construction in progress	197,749,526.05	179,857,941.83
Right-of-use assets	197,429,176.44	205,876,719.75
Intangible assets	1,592,672,934.54	1,774,624,509.33
Goodwill	26,946,905.38	32,916,531.95
Long-term prepaid expenses	49,141,773.14	51,061,485.49
Deferred income tax assets	1,114,781,456.78	1,084,164,679.14
Other non-current assets	489,936,694.10	58,886,418.75
Total non-current assets	49,970,964,238.44	55,693,207,773.61
Total assets	82,841,454,602.24	91,575,457,828.62

Item	31 December 2021	31 December 2020
CURRENT LIABILITIES:		
Short term borrowings	33,523,025,186.22	32,793,992,957.86
Bills payable	3,089,512,327.40	2,998,936,736.34
Accounts payable	3,871,131,345.34	4,042,430,732.31
Receipts in advance	38,274,028.20	–
Contract liabilities	1,382,289,597.54	1,051,147,044.74
Employee benefits payable	169,899,008.01	232,376,585.31
Taxes payable	321,495,480.67	652,647,840.63
Other payables	1,538,013,585.93	1,956,715,367.83
Including: Interest payable	55,437,777.80	178,992,959.85
Non-current liabilities due within one year	6,601,311,227.98	7,160,949,615.93
Other current liabilities		157,037,833.35
Total current liabilities	50,534,951,787.29	51,046,234,714.30

XII Financial Report

Item	31 December 2021	31 December 2020
NON-CURRENT LIABILITIES:		
Long-term borrowings	5,276,340,154.98	8,077,150,979.15
Bonds payable	155,000,000.00	1,536,877,351.46
Lease liabilities	57,281,205.81	60,271,769.90
Long-term payables	2,358,901,022.99	2,295,309,357.74
Provisions	325,259,082.28	325,259,082.28
Deferred income	1,573,681,684.25	1,637,996,636.51
Deferred income tax liabilities	13,210,529.74	6,572,535.97
Other non-current liabilities		789,521,686.07
Total non-current liabilities	9,759,673,680.05	14,728,959,399.08
Total liabilities	60,294,625,467.34	65,775,194,113.38

Item	31 December 2021	31 December 2020
OWNERS' EQUITY:		
Share capital	2,984,208,200.00	2,984,208,200.00
Other equity instruments	996,000,000.00	5,473,500,000.00
Including: Preference Shares		4,477,500,000.00
Perpetual Bonds	996,000,000.00	996,000,000.00
Capital reserves	5,282,805,114.62	5,321,911,413.75
Less: Treasury shares	226,860,000.00	226,860,000.00
Other comprehensive income	-445,582,729.36	-561,686,607.66
Surplus reserves	1,212,009,109.97	1,212,009,109.97
General risk provisions	76,825,918.60	74,122,644.20
Retained profit	9,210,372,613.81	9,999,764,028.74
Total equity attributable to owners of the Company	19,089,778,227.64	24,276,968,789.00
Minority interest	3,457,050,907.26	1,523,294,926.24
Total owners' equity	22,546,829,134.90	25,800,263,715.24
Total liabilities and owners' equity	82,841,454,602.24	91,575,457,828.62

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 2021	31 December 2020
CURRENT ASSETS:		
Monetary funds	6,827,656,382.37	4,720,330,804.07
Bills receivable	3,625,270,000.00	1,470,720,000.00
Accounts receivable	141,601,245.51	694,836,561.24
Accounts receivable financing	7,923,732.09	24,339,933.19
Prepayments	239,461,509.15	1,697,770,445.12
Other receivables	8,900,179,262.54	10,637,425,503.02
Including: Interest receivable		
Dividend receivable	126,325,018.50	200,000,000.00
Inventories	639,423,803.30	637,293,495.29
Non-current assets due within one year		146,934,211.22
Other current assets	44,894,366.29	45,764,272.71
Total current assets	20,426,410,301.25	20,075,415,225.86

XII Financial Report

Item	31 December 2021	31 December 2020
NON-CURRENT ASSETS:		
Long-term receivables	13,612,038.99	64,762,373.99
Long-term equity investments	18,806,029,815.18	22,192,108,035.92
Other non-current financial assets	119,927,003.25	141,910,000.00
Fixed assets	3,753,927,591.49	3,984,339,880.51
Construction in progress	94,436,880.66	80,192,749.46
Intangible assets	520,068,337.11	534,900,368.31
Deferred income tax assets	393,918,032.54	418,717,829.13
Other non-current assets	7,000,000.00	
Total non-current assets	23,708,919,699.22	27,416,931,237.32
Total assets	44,135,330,000.47	47,492,346,463.18

Item	31 December 2021	31 December 2020
CURRENT LIABILITIES:		
Short-term borrowings	13,761,223,259.09	10,929,616,612.59
Bills payable	9,725,713,524.15	7,603,416,890.27
Accounts payable	1,129,675,956.85	812,111,491.23
Contract liabilities	888,114,906.08	156,487,086.88
Staff remuneration payables	57,487,223.39	89,416,732.50
Tax payables	115,257,929.68	147,669,266.97
Other payables	970,585,670.47	5,869,352,883.62
Including: Interest payable	55,437,777.80	97,497,305.56
Non-current liabilities due within one year	2,111,092,964.34	2,374,029,490.27
Other current liabilities		312,130,833.35
Total current liabilities	28,759,151,434.05	28,294,231,287.68

XII Financial Report

Item	31 December 2021	31 December 2020
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,779,135,700.00	1,295,000,000.00
Bonds payable	155,000,000.00	439,957,250.00
Long-term payables	52,376,768.35	631,776,192.80
Provisions	325,259,082.28	325,259,082.28
Deferred income	35,232,490.83	38,017,165.55
Other non-current liabilities		1,194,883,344.67
Total non-current liabilities	2,347,004,041.46	3,924,893,035.30
Total liabilities	31,106,155,475.51	32,219,124,322.98

Item	31 December 2021	31 December 2020
OWNERS' EQUITY:		
Share capital	2,984,208,200.00	2,984,208,200.00
Other equity instruments	996,000,000.00	5,473,500,000.00
Including: Preference Shares		4,477,500,000.00
Perpetual Bonds	996,000,000.00	996,000,000.00
Capital reserves	5,154,365,336.31	5,124,308,464.42
Less: Treasury shares	226,860,000.00	226,860,000.00
Surplus reserves	1,199,819,528.06	1,199,819,528.06
Retained profit	2,921,641,460.59	718,245,947.72
Total owners' equity	13,029,174,524.96	15,273,222,140.20
Total liabilities and owners' equity	44,135,330,000.47	47,492,346,463.18

3. Consolidated Income Statement

Unit: RMB

Item	Amount for 2021	Amount for 2020
I. Total revenue	33,019,812,294.14	30,736,517,996.90
Including: Revenue	33,019,812,294.14	30,736,517,996.90
II. Total operating costs	30,583,840,093.56	29,056,210,362.62
Including: Operating costs	25,222,275,795.28	23,645,594,186.21
Taxes and surcharges	284,456,212.31	250,528,855.40
Sales and distribution expenses	293,509,692.51	298,246,355.91
General and administrative expenses	942,360,735.54	1,025,420,660.39
Research and development expense	1,453,766,371.46	1,274,355,241.49
Finance expenses	2,387,471,286.46	2,562,065,063.22
Including: Interest expenses	2,648,200,417.05	3,125,361,069.00
Interest income	587,289,410.33	887,004,185.02
Plus: Other income	220,600,635.49	363,884,128.32
Investment income (“-” denotes loss)	-69,578,338.92	173,363,537.49
Including: Investment income from associates and joint ventures	31,476,499.83	272,022,434.54
Gains on derecognition of financial assets measured at amortised cost	-258,113,630.19	-93,431,738.91
Gain on change in fair value (“-” denotes loss)	-77,073,812.67	6,261,281.76
Credit impairment loss (“-” denotes loss)	-268,735,361.31	-651,724,871.57
Loss on impairment of assets (“-” denotes loss)	-11,285,890.45	-13,573,717.76
Gain on disposal of assets (“-” denotes loss)	51,559,551.66	26,203,497.56

XII Financial Report

Item	Amount for 2021	Amount for 2020
III. Operating profit (“-” denotes loss)	2,281,458,984.38	1,584,721,490.08
Plus: Non-operating income	71,694,386.81	600,465,688.15
Less: Non-operating expenses	46,973,061.20	12,917,235.69
IV. Total profit (“-” denotes total loss)	2,306,180,309.99	2,172,269,942.54
Less: Income tax expenses	216,496,288.54	266,056,648.05
V. Net profit (“-” denotes net loss)	2,089,684,021.45	1,906,213,294.49
(I) Classification according to the continuity of operation		
1. Net profit from continuing operations (“-” denotes net loss)	2,089,684,021.45	1,906,213,294.49
2. Net profit from discontinued operations (“-” denotes net loss)		
(II) Classification according to ownership		
1. Net profit attributable to shareholders of the Company	2,065,513,108.71	1,712,029,078.52
2. Profit or loss of minority interest	24,170,912.74	194,184,215.97
VI. Net other comprehensive income after tax	116,103,878.30	317,765,527.44
Net other comprehensive income after tax attributable to shareholders of the Company	116,103,878.30	317,765,527.44
Other comprehensive income that will be reclassified to profit and loss in subsequent periods	116,103,878.30	317,765,527.44
Including: Exchange differences arising from translation of financial statements denominated in foreign currencies	114,257,267.36	330,124,670.94
Other comprehensive income that may be reclassified to profit and loss under the equity method	1,846,610.94	-12,359,143.50
VII. Total comprehensive income	2,205,787,899.75	2,223,978,821.93
Total comprehensive income attributable to shareholders of the Company	2,181,616,987.01	2,029,794,605.96
Total comprehensive income attributable to minority interest	24,170,912.74	194,184,215.97
VIII. Earnings per share:		
(I) Basic earnings per share	0.56	0.36
(II) Diluted earnings per share	0.56	0.36

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

XII Financial Report

4. Income statement of the Company

Unit: RMB

Item	Amount for 2021	Amount for 2020
I. Revenue	8,761,491,410.08	8,510,073,793.88
Less: Operating costs	7,357,969,445.55	6,899,160,821.06
Taxes and surcharges	73,724,285.85	63,211,127.50
Sales and distribution expenses	9,558,862.03	7,441,664.84
General and administrative expenses	225,572,928.07	322,407,985.30
Research and development expense	357,549,848.69	286,590,211.63
Finance expenses	596,154,250.94	501,171,122.74
Including: Interest expenses	1,026,360,435.96	1,481,718,871.40
Interest income	538,879,542.11	1,057,852,559.80
Plus: Other income	7,369,035.15	59,165,073.44
Investment income (“-” denotes loss)	2,932,306,416.92	348,093,079.09
Including: Investment income from associates and joint ventures	-3,156,467.36	-6,412,281.95
Gains on derecognition of financial assets measured at amortised cost (“-” denotes loss)	-12,601,533.35	
Gains on changes in fair value (“-” denotes loss)	1,600,000.00	9,464,346.45
Credit impairment loss (“-” denotes loss)	60,361,147.28	42,369,727.64
Loss on impairment of assets (“-” denotes loss)	-1,108,450.71	
Gain on disposal of assets (“-” denotes loss)	5,690,737.73	40,134,455.47
II. Operating profit (“-” denotes loss)	3,147,180,675.32	929,317,542.90
Plus: Non-operating income	50,666,803.06	5,225,205.90
Less: Non-operating expenses	4,482,683.25	1,891,387.34
III. Total profit (“-” denotes total loss)	3,193,364,795.13	932,651,361.46
Less: Income tax expenses	24,799,796.59	7,994,080.85
IV. Net profit (“-” denotes net loss)	3,168,564,998.54	924,657,280.61
(I) Net profit from continuing operations (“-” denotes net loss)	3,168,564,998.54	924,657,280.61
(II) Net profit from discontinued operations (“-” denotes net loss)		
V. Total comprehensive income	3,168,564,998.54	924,657,280.61
VI. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	Amount for 2021	Amount for 2020
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	37,026,791,230.42	35,114,699,022.80
Tax rebates received	59,547,522.63	71,675,835.40
Cash received relating to other operating activities	2,219,955,470.38	4,956,395,786.44
Subtotal of cash inflows from operating activities	39,306,294,223.43	40,142,770,644.64
Cash paid for goods and services	25,422,330,671.57	24,341,006,232.03
Cash paid to and for employees	1,467,112,946.72	1,421,974,787.06
Payments of taxes and surcharges	1,426,328,693.53	1,285,210,254.65
Cash paid relating to other operating activities	2,408,633,718.97	1,834,776,694.62
Subtotal of cash outflows from operating activities	30,724,406,030.79	28,882,967,968.36
Net cash flows from operating activities	8,581,888,192.64	11,259,802,676.28

XII Financial Report

Item	Amount for 2021	Amount for 2020
II. Cash flows from investing activities:		
Cash received from investments	222,670,944.63	15,000,000.00
Cash received from investment income	81,429,872.21	26,760,712.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	217,787,583.26	131,924,763.00
Net cash received from disposal of subsidiaries and other business units	306,239,547.48	217,547,669.15
Cash received relating to other investing activities	493,700,048.10	409,282,077.65
Subtotal of cash inflows from investing activities	1,321,827,995.68	800,515,222.13
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	632,606,779.05	254,202,396.70
Cash paid on investments	396,000,000.00	471,299,932.73
Net cash paid for acquisition of subsidiaries and other business units		256,052,699.51
Cash paid relating to other investing activities	127,500,000.00	
Subtotal of cash outflows from investing activities	1,156,106,779.05	981,555,028.94
Net cash flows from investing activities	165,721,216.63	-181,039,806.81
III. Cash flows from financing activities:		
Cash received from investments	2,350,000,000.00	952,070,000.00
Including: Cash received from subsidiaries from minority investment	2,350,000,000.00	725,210,000.00
Cash received from borrowings	26,078,252,949.16	25,471,909,126.85
Cash received relating to other financing activities	4,808,748,496.67	5,230,346,076.92
Subtotal of cash inflows from financing activities	33,237,001,445.83	31,654,325,203.77
Cash repayments of amounts borrowed	29,423,534,354.33	30,646,227,554.94
Cash paid for dividend and profit distribution or interest payment	3,327,088,059.92	3,090,605,089.86
Including: Dividend and profit paid by subsidiaries to minority shareholders	126,809,125.87	17,444,349.31
Cash paid relating to other financing activities	10,426,875,069.68	7,511,530,461.76
Subtotal of cash outflows from financing activities	43,177,497,483.93	41,248,363,106.56
Net cash flows from financing activities	-9,940,496,038.10	-9,594,037,902.79
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-27,367,487.94	14,116,969.70
V. Net increase in cash and cash equivalents	-1,220,254,116.77	1,498,841,936.38
Plus: Balance of cash and cash equivalents as at the beginning of the period	4,389,169,963.79	2,890,328,027.41
VI. Balance of cash and cash equivalents as at the end of the period	3,168,915,847.02	4,389,169,963.79

6. Cash flow statement of the Company

Unit: RMB

Item	Amount for 2021	Amount for 2020
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	9,921,458,290.29	8,315,495,593.76
Tax rebates received		
Cash received relating to other operating activities	318,480,435.45	1,094,213,214.09
Subtotal of cash inflows from operating activities	10,239,938,725.74	9,409,708,807.85
Cash paid for goods and services	7,949,092,113.55	7,355,500,996.59
Cash paid to and for employees	324,850,174.01	413,161,984.36
Payments of taxes and surcharges	296,341,765.94	225,151,450.32
Cash paid relating to other operating activities	835,108,368.36	872,500,967.87
Subtotal of cash outflows from operating activities	9,405,392,421.86	8,866,315,399.14
Net cash flows from operating activities	834,546,303.88	543,393,408.71
II. Cash flows from investing activities:		
Cash received from investments	3,488,670,944.63	1,481,345,237.36
Cash received from investment income	3,346,501,947.10	405,420,123.68
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,871,823.30	104,624,763.00
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	493,655,373.48	409,282,077.65
Subtotal of cash inflows from investing activities	7,332,700,088.51	2,400,672,201.69
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	19,676,071.84	10,850,791.93
Cash paid on investments	882,210,000.00	82,290,000.00
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	901,886,071.84	93,140,791.93
Net cash flows from investing activities	6,430,814,016.67	2,307,531,409.76
III. Cash flows from financing activities:		
Cash received from investments		226,860,000.00
Cash received from borrowings	22,083,489,278.32	15,865,741,633.57
Cash received relating to other financing activities	110,000,000.00	5,490,509,924.46
Subtotal of cash inflows from financing activities	22,193,489,278.32	21,583,111,558.03

XII Financial Report

Item	Amount for 2021	Amount for 2020
Cash repayments of amounts borrowed	18,497,803,668.52	16,517,425,606.56
Cash paid for dividend and profit distribution or interest payment	996,025,461.24	1,188,678,703.00
Cash paid relating to other financing activities	9,373,355,123.84	6,565,598,116.70
Subtotal of cash outflows from financing activities	28,867,184,253.60	24,271,702,426.26
Net cash flows from financing activities	-6,673,694,975.28	-2,688,590,868.23
IV. Effect of foreign exchange rate changes on cash and cash equivalents	504,245.77	2,622,051.57
V. Net increase in cash and cash equivalents	592,169,591.04	164,956,001.81
Plus: Balance of cash and cash equivalents as at the beginning of the period	301,284,723.52	136,328,721.71
VI. Balance of cash and cash equivalents as at the end of the period	893,454,314.56	301,284,723.52

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

Unit: RMB

Item	2021										Total owners' equity	
	Share capital	Preference Shares	Other equity instruments	Others	Capital reserves	Less: treasury shares	comprehensive income reserves	Special reserves	Others	Subtotal		Minority interest
I. Balance as at the end of the prior year	2,984,208,200.00	4,477,500,000.00	996,000,000.00	996,000,000.00	5,321,911,413.75	226,860,000.00	-561,686,607.66	1,212,009,109.97	74,122,644.20	9,999,764,028.74	1,523,294,926.24	25,800,263,715.24
Plus: Others										-1,887,031,763.57		-1,887,031,763.57
II. Balance as at the beginning of the year	2,984,208,200.00	4,477,500,000.00	996,000,000.00	996,000,000.00	5,321,911,413.75	226,860,000.00	-561,686,607.66	1,212,009,109.97	74,122,644.20	8,112,732,265.17	1,523,294,926.24	23,913,231,951.67
III. Changes in the period ("+" denotes increase)												
(I) Total comprehensive income		-4,477,500,000.00			-391,106,299.13		116,103,878.30		2,703,274.40	1,097,640,348.64	-3,300,156,797.79	-1,366,402,816.77
(II) Capital paid in and reduced by owners										2,065,513,108.71	24,170,912.74	2,205,787,899.75
1. Ordinary shares paid by owners		-4,477,500,000.00			-391,106,299.13						-4,516,606,299.13	-2,204,334,437.31
2. Capital paid by holders of other equity instruments											2,312,271,861.82	2,312,271,861.82
3. Amount of share-based payments recognised in owners' equity		-4,477,500,000.00			-22,500,000.00					-4,500,000,000.00		-4,500,000,000.00
4. Others					52,556,871.89							52,556,871.89
(III) Profit distribution					-69,163,171.02				2,703,274.40	-967,872,760.07	-1,26,809,125.87	-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	-1,26,809,125.87	-1,091,978,611.54
(IV) Transfer within owners' equity												
1. Others											-275,877,667.67	-275,877,667.67
M. Balance as at the end of the period	2,984,208,200.00		996,000,000.00	996,000,000.00	5,292,805,114.62	226,860,000.00	-445,582,729.36	1,212,009,109.97	76,825,916.60	9,210,372,613.81	3,457,050,907.26	22,546,823,134.90

Amount for the prior period

Unit: RMB

Item	2020										Total owners' equity		
	Share capital	Preference Shares	Other equity instruments	Capital reserves	Less: treasury shares	comprehensive income reserves	Special reserves	Surplus reserves	General risk provisions	Retained profit		Others	Subtotal
I. Balance as at the end of the prior year	2,994,608,200.00	4,477,500,000.00	2,988,000,000.00	5,086,686,427.30	-879,452,135.10	1,212,009,109.97	74,122,644.20	9,306,269,617.38	25,169,749,863.75	1,170,029,016.80	26,339,772,880.55		26,339,772,880.55
II. Balance as at the beginning of the year	2,994,608,200.00	4,477,500,000.00	2,988,000,000.00	5,086,686,427.30	-879,452,135.10	1,212,009,109.97	74,122,644.20	9,306,269,617.38	25,169,749,863.75	1,170,029,016.80	26,339,772,880.55		26,339,772,880.55
III. Changes in the period ("+" denotes increase)	79,600,000.00		-1,932,000,000.00	235,224,986.45	226,860,000.00	317,765,527.44		693,494,411.36	-892,775,074.75	353,265,939.44	-539,509,165.31		-539,509,165.31
(I) Total comprehensive income					317,765,527.44			1,712,029,076.52	2,029,794,605.96	194,184,215.97	2,223,978,821.93		2,223,978,821.93
(II) Capital paid in and reduced by owners	79,600,000.00		-1,932,000,000.00	235,224,986.45	226,860,000.00				-1,904,035,013.55	646,180,728.23	-1,257,854,285.32		-1,257,854,285.32
1. Ordinary shares paid by owners										646,180,728.23			646,180,728.23
2. Capital paid by holders of other equity instruments													
3. Amount of share-based payments recognised in owners' equity													
4. Others													
(III) Profit distribution													
1. Distribution to owners (or shareholders)													
(IV) Transfer within owners' equity													
1. Others													
IV. Balance as at the end of the period	2,994,608,200.00	4,477,500,000.00	996,000,000.00	5,321,911,413.75	226,860,000.00	-561,686,607.66	74,122,644.20	9,999,764,026.74	24,276,868,789.00	1,523,294,826.24	25,800,263,715.24		25,800,263,715.24

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

Amount for the reporting period

Unit: RMB

Item	2021										
	Other equity instruments			Less:			Other comprehensive income				
	Share capital	Preference Shares	Perpetual Bonds	Others	Capital reserves	treasury shares	Special reserves	Surplus reserves	Retained profit	Others	Total owners' equity
I. Balance as at the end of the prior year	2,984,208,200.00	4,477,500,000.00	996,000,000.00	5,124,308,464.42	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	996,000,000.00	5,124,308,464.42	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					30,056,871.89				2,203,395,512.87		-2,244,047,615.24
(II) Capital paid in and reduced by owners									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											
3. Amount of share-based payments recognised in owners' equity					-22,500,000.00						-4,500,000,000.00
(III) Profit distribution											
1. Transfer to surplus reserves									-965,169,485.67		52,556,871.89
2. Distribution to owners (or shareholders)											-965,169,485.67
IV. Balance as at the end of the period	2,984,208,200.00		996,000,000.00	5,154,365,336.31	5,154,365,336.31	226,860,000.00	1,199,819,528.06	2,921,641,460.59			13,029,174,524.96

XII Financial Report

Amount for the prior period

Item	2020							Total owners' equity		
	Share capital	Preference Shares	Perpetual Bonds	Capital reserves	Less: treasury shares	Other comprehensive income	Surplus reserves		Retained profit	Others
I. Balance as at the end of the prior year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	4,953,557,435.19			1,199,819,528.06	812,690,534.91		17,336,175,698.16
Others								-567,200.64		-567,200.64
II. Balance as at the beginning of the year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	4,953,557,435.19			1,199,819,528.06	812,123,334.27		17,335,608,497.52
III. Changes in the period ("-" denotes decrease)										
(I) Total comprehensive income	79,600,000.00		-1,992,000,000.00	170,751,029.23	226,860,000.00			-93,877,386.55		-2,062,386,357.32
(II) Capital paid in and reduced by owners	79,600,000.00		-1,992,000,000.00	170,751,029.23	226,860,000.00			924,657,280.61		924,657,280.61
1. Ordinary shares paid by owners	79,600,000.00									79,600,000.00
2. Capital paid by holders of other equity instruments										
3. Amount of share-based payments recognised in owners' equity				-8,000,000.00						-2,000,000,000.00
(III) Profit distribution										
1. Transfer to surplus reserves				178,751,029.23	226,860,000.00			-1,018,534,667.16		-48,108,970.77
2. Distribution to owners (or shareholders)								-1,018,534,667.16		-1,018,534,667.16
IV. Balance as at the end of the period	2,984,208,200.00	4,477,500,000.00	996,000,000.00	5,124,308,464.42	226,860,000.00		1,199,819,528.06	718,245,947.72		15,273,222,140.20

Unit: RMB

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 2021, the total share capital of the Company was changed to 2,984,208,200 shares. For details, please refer to Note VII. 39.

The Company has established a corporate governance structure comprising the general meeting, the board of directors and the supervisory committee, and has manufacturing business center, supply chain management center, business department, marketing department, financial capital management center, enterprise management center, public utilities center, securities investment department, audit department and other departments.

The Company and its subsidiaries 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 twelfth meeting of the ninth session of the board of directors of the Company (the “Board”) on 30 March 2022.

2. Scope of consolidation

Subsidiaries of the Company included in the scope of consolidation in 2021 totalled 75. For details, please refer to Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had six more companies included and seven companies less compared to the prior year. For details, please refer to Note VIII “Changes in the scope of consolidation”.

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 (hereinafter 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 depreciation 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, financial leasing, 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 accounting standards for business enterprises. For details, please refer to this Note V. 26 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 31 “Change of 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 2021 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for 2021.

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, except for the adjustments of different accounting policies. 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, except for adjustments of different accounting policies. 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, 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 investment 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 intracompany 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 profit or loss 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 profit or loss 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 (share capital premium), 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 ventures

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 profit or loss 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 owners' 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 other comprehensive income:

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 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 or notes 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 as 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. 12.

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 and accounts receivable

For bills receivable and accounts receivable, 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: Receivables 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 and accounts receivable *(Continued)*

For bills receivable and contract assets 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. Inventories

(1) Classification of inventories

Inventories of the Company mainly include raw materials, work in progress, goods in stock, development products, 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.

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

11. Inventories (*Continued*)

(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 events after the balance sheet date.

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.

(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.

12. 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*)

12. 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.

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.

(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.

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)*

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.

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.

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 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.

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 cannot pose significant influence in this situation.

(4) Held-for-sale equity investments

The equity investments to associates or joint ventures are all or partially classified as assets held for sale.

The remaining equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investments to associates or joint ventures already classified as held for sale no longer meet the conditions of assets held for sale shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

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

13. Long-term equity investments (*Continued*)

(5) 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. 20.

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. 20.

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

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

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	Depreciation method	Useful lives of depreciation (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building structure	Straight-line method	20-40	5-10	2.25-4.75
Machinery and equipment	Straight-line method	8-20	5-10	4.50-11.88
Transportation equipment	Straight-line method	5-8	5-10	11.25-19.00
Electronic equipment and others	Straight-line method	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. 20.
- (4) The Company will re-check 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. 20.

17. 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.

(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.

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

17. Borrowing costs (*Continued*)

(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.

18. Right-of-use assets

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.

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.

For the methods of impairment test and impairment provision of right-of-use assets, please refer to Note V. 20.

V. Significant Accounting Policies and Accounting Estimates (Continued)

19. Intangible assets

The intangible assets of the Company include land use rights, software 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.

The amortisation methods for the intangible assets with finite useful life are as follows:

Type	Useful life (year)	Method of amortisation	Remark
Land use rights	50-70	Straight-line method	
Software	5-10	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. 20.

20. Asset impairment

Impairment of long-term equity investments in subsidiaries, associates and joint ventures, asset impairment on investment property, fixed assets, construction in progress, materials for project, right-of-use assets, intangible assets, goodwill and others (excluding inventories, 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.

V. Significant Accounting Policies and Accounting Estimates (Continued)

20. Asset impairment (Continued)

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.

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 Group 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.

21. 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.

22. 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 and other beneficiaries.

Employee benefits are presented as "employee benefits payable" and "long-term employee benefits payable" in the balance sheet, respectively, according to liquidity.

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

22. Employee benefits (*Continued*)

(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. Where the payment of liability is expected not to be fully settled within 12 months after the end of the annual reporting period in which the employees render the related services, and the financial impact would be material, these liabilities are measured at their discounted values.

(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 Group pays fixed contributions into a separate fund and the Group 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.

(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.

V. Significant Accounting Policies and Accounting Estimates (Continued)

23. Provisions

Obligations pertinent to the contingencies which satisfy the following conditions are recognised 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.

24. Share-based payments

(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.

(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.

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

24. Share-based payments (*Continued*)

(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, 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, 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. Increase in the fair value of equity instruments refer 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.

25. Preference Shares, Perpetual Bonds and other financial instruments

(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.

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

25. Preference Shares, Perpetual Bonds and other financial instruments *(Continued)*

(2) Accounting treatment of preference shares, perpetual bonds and other financial instruments

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.

26. 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.

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.

V. Significant Accounting Policies and Accounting Estimates (Continued)

26. Revenue (Continued)

(1) General principles (Continued)

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.
- 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 VII. 47). 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.

(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 rental income on a straight-line basis over the lease term.

V. Significant Accounting Policies and Accounting Estimates (Continued)

27. 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.

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; 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 relying on the essence of economic business; otherwise, recognised in non-operating income or non-operating expenses.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment shall be off set 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.

For the policy preferential interest subsidy, if it is provided by the financial authority through banks, it is recognised at the amount of borrowings actually received, and the borrowings costs are calculated based on the principal of the borrowings and the policy preferential interest rate; if it is provided by the financial authority directly, the corresponding interest will be used to offset the relevant borrowing expenses.

28. 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.

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

28. Deferred income tax assets/deferred income tax liabilities (*Continued*)

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.

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.

29. 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 as, or contains, a lease.

V. Significant Accounting Policies and Accounting Estimates (Continued)

29. Lease (Continued)

(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. 18.

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 charged to profit or loss in the period in which they actually arise. The Company calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and is included in the current profit and loss. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss when incurred.

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

V. Significant Accounting Policies and Accounting Estimates (Continued)

29. Lease (Continued)

(2) The Company as lessee (Continued)

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.

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.

V. Significant Accounting Policies and Accounting Estimates (Continued)

29. Lease (Continued)

(3) The Company as lessor (Continued)

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.

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.

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

29. Lease (*Continued*)

(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.

(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.

30. 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)

30. 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.

31. Changes in significant accounting policies and estimates

(1) Changes in significant accounting policies

The Company did not have any change in significant accounting policies during the year.

(2) Changes in significant accounting estimates

The Company did not have any change in significant accounting estimates during the year.

(3) Adjustment to the relevant items in the financial statements at the beginning of the year due to the first adoption of the New Leases Standard in 2021

Applicable Not applicable

(4) Reason for retrospective adjustment to the comparative data in the prior period due to the first adoption the New Leases Standard in 2021

Applicable Not applicable

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 Shun Da Customs Declaration Co, Ltd.	20
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading 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 GR201922000658 on 2 September 2019. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jilin Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

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 GR201936002184 on 3 December 2019. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jiangxi Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

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 Shun Da Customs Declaration Co, Ltd. and Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd., which are subsidiaries of the Company, are small and micro enterprises. Pursuant to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] 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 50%, 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 Notice of the Ministry of Finance and the State Taxation Administration on Issues Concerning the Implementation of the Catalogue of Preferential Tax Treatments for Comprehensive Resource Utilisation Enterprises (Cai Shui [2008] No. 47): since 1 January 2008, 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 for that year. 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 Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), 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 2021.

VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	2,926,080.68	2,161,684.57
Bank deposit	3,166,431,843.70	4,387,725,487.05
Other monetary funds	10,950,425,015.28	13,369,650,427.36
Total	14,119,782,939.66	17,759,537,598.98
Of which: Total deposits in overseas banks	462,952,909.20	229,837,092.53
Including: Total restricted amount due to mortgages, pledges or freezes	10,756,936,714.59	13,022,652,331.98

Other explanation:

- ① Other monetary funds of RMB7,801,613,023.62 were the guarantee deposit for the application for bank acceptance with the banks by the Company;
- ② Other monetary funds of RMB1,775,828,450.84 were the guarantee deposit for the application for letter of credit with the banks by the Company;
- ③ Other monetary funds of RMB961,122,545.14 were the guarantee deposit for the application for guarantees with the banks by the Company;
- ④ Other monetary funds of RMB70,000,000.00 were the guarantee deposit for the application for loans with the banks by the Company;
- ⑤ Other monetary funds of RMB125,980,000.00 were the Company's statutory reserve deposits at the People's Bank of China;
- ⑥ Other monetary funds of RMB22,392,694.99 were locked-up due to litigations, resulting in restriction on the use of that account's balance;
- ⑦ Bank deposit included interest receivable of RMB442,077.36, and other monetary funds included interest receivable of RMB193,488,300.69.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	110,886,182.88	192,907,800.62
Or which:		
Investment in debt instruments		
Investment equity instruments	110,886,182.88	192,907,800.62
Total	110,886,182.88	192,907,800.62

Explanation: Financial assets held for trading were shares of Bohai Bank subscribed by the Company.

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	Bad debt provision		Amount	Amount	Percentage	Amount		Bad debt provision
				Provision							Provision
			Amount	percentage				Amount	percentage		
Accounts receivable											
assessed individually for											
bad debt provision	224,831,742.24	7.24%	224,831,742.24	100.00%		338,943,643.26	13.70%	338,943,643.26	100.00%		
Of which:											
Accounts receivable											
assessed collectively for											
bad debt provision	2,880,986,860.24	92.76%	224,469,709.78	7.79%	2,656,517,150.46	2,135,216,813.32	86.30%	150,285,147.50	7.04%	1,984,931,665.82	
Of which:											
Due from related party											
customers	109,385.42	0.004%			109,385.42	2,000,017.96	0.08%	87,306.27	4.37%	1,912,711.69	
Receivables from non-											
related party customers	1,855,021,764.82	59.73%	84,870,622.11	4.58%	1,770,151,142.71	1,815,359,418.67	73.37%	97,096,893.56	5.35%	1,718,262,525.11	
Factoring receivables	1,025,855,710.00	33.03%	139,599,087.67	13.61%	886,256,622.33	317,857,376.69	12.85%	53,100,947.67	16.71%	264,756,429.02	
Total	3,105,818,602.48	100.00%	449,301,452.02	14.47%	2,656,517,150.46	2,474,160,456.58	100.00%	489,228,790.76	19.77%	1,984,931,665.82	

VII. Notes to items of the consolidated financial statements (Continued)

3. Accounts receivable

(1) Disclosure of accounts receivable by category

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
Shanxi Printing Materials Co., Ltd.	15,526,488.04	15,526,488.04	100.00%	Long outstanding
Zhengzhou Hongyang Paper Products Co., Ltd.	15,491,432.93	15,491,432.93	100.00%	Long outstanding
Shandong Bisheng Printing Materials Co., Ltd.	14,813,369.27	14,813,369.27	100.00%	Long outstanding
95 companies including Henan Yibang Technology Trading Co., Ltd.	79,670,111.90	79,670,111.90	100.00%	Long outstanding
Total	224,831,742.24	224,831,742.24	100.00%	

Items assessed collectively for bad debt provision: Due from related party customers

Unit: RMB

Name	Book balance	Closing balance	
		Bad debt provision	Provision percentage
Within 1 year	109,385.42		
Total	109,385.42		

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 customers

Unit: RMB

Name	Book balance	Closing balance Bad debt provision	Provision percentage
Within 1 year	1,750,739,072.87	20,246,468.54	1.16%
1-2 years	7,011,563.74	1,637,130.07	23.35%
2-3 years	27,294,968.10	12,900,091.05	47.26%
Over 3 years	69,976,160.11	50,086,932.45	71.58%
Total	1,855,021,764.82	84,870,622.11	4.58%

Items assessed collectively for bad debt provision: Factoring receivables

Unit: RMB

Name	Book balance	Closing balance Bad debt provision	ECL rate
Within 1 year	820,016,666.64	82,001,666.66	10.00%
1-2 years	11,785,852.50	2,357,670.71	20.00%
2-3 years	169,370,528.43	47,834,951.58	28.24%
Over 3 years	24,682,662.43	7,404,798.72	30.00%
Total	1,025,855,710.00	139,599,087.67	13.61%

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)	2,570,865,124.93	1,822,584,474.74
1-2 years	128,884,575.48	379,812,071.80
2-3 years	196,893,864.00	87,426,356.99
Over 3 years	209,175,038.07	184,337,553.05
Total	3,105,818,602.48	2,474,160,456.58

(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	Transfer	Written-off	
Bad debt provision	489,228,790.76	229,439,721.79	233,334,350.93	19,046,894.91	16,985,814.69	449,301,452.02
Total	489,228,790.76	229,439,721.79	233,334,350.93	19,046,894.91	16,985,814.69	449,301,452.02

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 RMB774,792,293.32 in total, accounting for 24.95% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB104,503,899.01 in total.

Unit: RMB

Name of entity	Closing balance of accounts receivable	Percentage to closing balance of other receivables	Closing balance of bad debt provision
Customer 1	300,000,000.00	9.66%	30,000,000.00
Customer 2	148,138,960.00	4.77%	41,838,565.68
Customer 3	115,480,000.00	3.72%	11,548,000.00
Customer 4	111,173,333.32	3.58%	11,117,333.33
Customer 5	100,000,000.00	3.22%	10,000,000.00
Total	774,792,293.32	24.95%	104,503,899.01

4. Accounts receivable financing

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	435,459,341.76	488,385,666.76
Total	435,459,341.76	488,385,666.76

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

Item	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	803,771,958.81	90.16%	871,877,663.55	90.42%
1-2 years	87,713,119.65	9.84%	92,412,848.81	9.58%
Total	891,485,078.46	100.00%	964,290,512.36	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 RMB388,782,923.49, accounting for 43.61% of the closing balance of the total prepayments.

Name of entity	Closing balance of prepayments	Percentage of the closing balance of the total prepayments
Customer 1	100,728,705.51	11.30%
Customer 2	100,533,400.00	11.28%
Customer 3	76,523,442.85	8.58%
Customer 4	66,797,145.28	7.49%
Customer 5	44,200,229.85	4.96%
Total	388,782,923.49	43.61%

VII. Notes to items of the consolidated financial statements (Continued)

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	2,252,864,083.00	2,417,240,559.46
Total	2,252,864,083.00	2,417,240,559.46

(1) Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	2,692,253,554.58	2,675,531,581.63
Guarantee deposit	5,125,826.96	11,732,998.24
Insurance premium	588,343.66	636,635.53
Reserve and borrowings	11,980,522.29	43,437,509.57
Others	79,972,395.80	229,207,636.15
Total	2,789,920,643.29	2,960,546,361.12

VII. Notes to items of the consolidated financial statements (Continued)

6. Other receivables (Continued)

(1) 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					
Dividends receivable					
Bad debt provision assessed collectively	494,496,617.62	13.16%	65,083,288.44	429,413,329.18	
Amount due from government agencies	19,012,602.80	88.87%	16,896,802.27	2,115,800.53	
Amount due from related parties	103,408,120.64	7.20%	7,445,333.02	95,962,787.62	
Other receivables	372,075,894.18	10.95%	40,741,153.15	331,334,741.03	
Total	494,496,617.62	13.16%	65,083,288.44	429,413,329.18	

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	2,295,424,025.67	20.56%	471,973,271.85	1,823,450,753.82	
Total	2,295,424,025.67	20.56%	471,973,271.85	1,823,450,753.82	

VII. Notes to items of the consolidated financial statements (Continued)

6. Other receivables (Continued)

(1) Other receivables (Continued)

2) Particulars of bad debt provision (Continued)

Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Open balance
Within 1 year (including 1 year)	797,531,460.41	1,356,457,308.62
1-2 years	1,344,225,352.93	813,310,977.70
2-3 years	484,647,394.76	634,042,365.77
Over 3 years	163,516,435.19	156,735,709.03
Total	2,789,920,643.29	2,960,546,361.12

3) 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	Transfer	Others	
Bad debt provision	543,305,801.66	293,910,655.32	260,287,400.18	39,872,496.51		537,056,560.29
Total	543,305,801.66	293,910,655.32	260,287,400.18	39,872,496.51		537,056,560.29

VII. Notes to items of the consolidated financial statements (Continued)

6. Other receivables (Continued)

(1) Other receivables (Continued)

4) Top five other receivables based on 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 RMB2,028,415,346.66 which accounted for 72.71% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB327,237,152.54.

Unit: RMB

Name of entity	Nature	Closing balance	Maturity	Percentage to closing balance of other receivables	Closing balance of bad debt provision
Customer 1	Consideration for equity transfer	684,000,000.00	1-2 years	24.52%	102,600,000.00
Customer 2	Consideration for equity transfer	533,800,000.00	1-2 years	19.13%	53,380,000.00
Customer 3	Consideration for equity transfer	467,402,316.85	2-3 years	16.75%	93,480,463.37
Customer 4	Consideration for equity transfer	219,054,783.56	1-2 years	7.85%	21,905,478.36
Customer 5	Consideration for equity transfer	124,158,246.25	Within 1 year	4.45%	55,871,210.81
Total		2,028,415,346.66		72.71%	327,237,152.54

7. Inventories

Whether the Company needs to comply with the disclosure requirements for real estate industries

No

(1) Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision for inventories or performance costs	Carrying amount	Book balance	Impairment provision for inventories or performance costs	Carrying amount
Raw materials	1,734,387,984.21	24,660,967.32	1,709,727,016.89	1,712,610,505.63	20,535,018.69	1,692,075,486.94
Work-in-process products	148,489,098.95		148,489,098.95	128,761,554.31		128,761,554.31
Goods in stock	1,910,051,642.16	4,941,686.65	1,905,109,955.51	1,464,455,062.79		1,464,455,062.79
Developing products				314,614,378.34		314,614,378.34
Consumable biological assets	1,519,305,850.77		1,519,305,850.77	1,535,386,865.44		1,535,386,865.44
Total	5,312,234,576.09	29,602,653.97	5,282,631,922.12	5,155,828,366.51	20,535,018.69	5,135,293,347.82

Note: Consumable biological assets are forestry assets.

VII. Notes to items of the consolidated financial statements (Continued)

7. Inventories (Continued)

(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	20,535,018.69	11,952,470.02		7,826,521.39		24,660,967.32
Goods in stock		4,941,686.65				4,941,686.65
Total	20,535,018.69	16,894,156.67		7,826,521.39		29,602,653.97

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	

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	5,216,934,172.61	4,222,744,207.34
Total	5,216,934,172.61	4,222,744,207.34

Explanations:

- (1) Long-term receivables due within one year amounting to RMB5,188,103,553.61 (amount for the beginning of the period: RMB4,039,428,218.16) were financial lease receivables;
- (2) Long-term receivables due within one year amounting to RMB28,830,619.00 (amount for the beginning of the period: RMB183,315,989.18) were deposits receivable.

VII. Notes to items of the consolidated financial statements (Continued)

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Input tax amount to be deducted	807,004,437.68	1,041,552,455.22
Prepaid tax	132,297,740.90	53,146,519.47
Receivables under financial lease due within one year	388,156,667.35	601,364,577.40
Factoring receivables due within one year	303,281,361.74	596,856,928.35
Prepaid expenses	195,453,994.69	329,739,882.81
Other payments	77,735,290.49	94,258,332.60
Total	1,903,929,492.85	2,716,918,695.85

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	8,344,107,765.88	1,211,551,549.72	7,132,556,216.16	9,963,461,389.49	1,103,339,754.72	8,860,121,634.77	4%-12%
Less: Unrealised financing income	366,945,292.53		366,945,292.53	351,498,895.63		351,498,895.63	
Equipment lease financing	272,996,696.64		272,996,696.64	412,239,088.74		412,239,088.74	
Less: Unrealised financing income	32,913,472.31		32,913,472.31	39,232,762.59		39,232,762.59	
Subtotal	8,217,245,697.68	1,211,551,549.72	7,005,694,147.96	9,984,968,820.01	1,103,339,754.72	8,881,629,065.29	
Less: long-term receivables due within one year	6,244,230,790.74	1,027,296,618.13	5,216,934,172.61	4,808,190,306.85	585,446,099.51	4,222,744,207.34	
Total	1,973,014,906.94	184,254,931.59	1,788,759,975.35	5,176,778,513.16	517,893,655.21	4,658,884,857.95	

VII. Notes to items of the consolidated financial statements (Continued)

10. Long-term receivables (Continued)

(1) Particulars of long-term receivables (Continued)

Particulars of bad debt provision impairment

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance			Carrying amount
	Amount	Percentage	Amount	ECL rate (%)	Carrying amount	Amount	Percentage	Amount	ECL rate (%)		
Accounts receivable assessed individually											
for impairment	1,716,394,801.61	86.99%	183,801,256.59	10.71%	1,532,593,545.02	4,839,015,749.92	93.48%	516,412,930.95	10.67%	4,322,602,818.97	
Of which:											
Financial lease payments	1,716,394,801.61	86.99%	183,801,256.59	10.71%	1,532,593,545.02	4,839,015,749.92	93.48%	516,412,930.95	10.67%	4,322,602,818.97	
Accounts receivable assessed collectively											
for impairment	256,620,105.33	13.01%	453,675.00	0.18%	256,166,430.33	337,762,763.24	6.52%	1,480,724.26	0.44%	336,282,038.98	
Of which:											
Receivables not past due	45,367,500.00	2.30%	453,675.00	1.00%	44,913,825.00	148,072,426.27	2.86%	1,480,724.26	1.00%	146,591,702.01	
Deposits receivable	211,252,605.33	10.71%			211,252,605.33	189,690,336.97	3.66%			189,690,336.97	
Total	1,973,014,906.94	100.00%	184,254,931.59	9.34%	1,788,759,975.35	5,176,778,513.16	100.00%	517,893,655.21	10.00%	4,658,884,857.95	

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 – 2 years	45,367,500.00	453,675.00	1.00%
2 – 3 years			
Total	45,367,500.00	453,675.00	1.00%

VII. Notes to items of the consolidated financial statements (Continued)

10. Long-term receivables (Continued)

(1) Particulars of long-term receivables (Continued)

Collectively assessed item: Deposits receivable

	Book balance	Closing balance Bad debt provision	ECL rate (%)
Within 1 year			
1-2 years	81,445,239.80		
2-3 years	77,641,082.85		
Over 3 years	52,166,282.68		
Total	211,252,605.33		

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:

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision	517,893,655.21	259,974,174.66	593,612,898.28			184,254,931.59
Total	517,893,655.21	259,974,174.66	593,612,898.28			184,254,931.59

Unit: RMB

VII. Notes to items of the consolidated financial statements (Continued)

11. Long-term equity investments

Unit: RMB

Investee	Opening balance		Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period			Closing balance (carrying amount)	Closing balance of impairment provision
	(carrying amount)	Additional contribution			Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared		
I. Joint ventures									
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	4,945,742.03			2,957,127.84			1,000,000.00	6,902,869.87	
Weifang Sime Darby West Port Co., Ltd.	81,943,506.92			-4,572,508.17				77,370,998.75	
Shouguang Meite Environmental Technology Co., Ltd.	17,087,192.44			-2,471,067.73				14,616,124.71	
Weifang Chenrong New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited Partnership)	199,705,636.28		200,247,244.02	17,501,451.16			16,959,843.42		
Weifang Xingxing United Chemical Co., Ltd.	91,874,385.12			-7,250,597.38				84,623,787.74	
Subtotal	395,556,462.79		200,247,244.02	6,164,405.72			17,959,843.42	183,513,781.07	
II. Associates									
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,401,659.62			-433,763.31			15,000,000.00	36,967,896.31	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	198,549,926.27			-1,252,440.68				197,297,485.59	
Jiangxi Chenming Port Co., Ltd.	1,310,585.65			-756,003.20				554,582.45	
Goldtrust Futures Co., Ltd.	189,366,931.59			-3,914,469.09				185,452,462.50	
Chenming (Qingdao) Asset Management Co., Ltd.	8,674,551.18			145,116.96			1,886,000.00	6,933,668.14	
Guangdong Nanyue Bank Co., Ltd.	3,060,298,285.35			31,523,653.43	1,846,610.94	77,231,023.14	28,000,000.00	-1,887,031,763.57	1,255,867,809.29
Subtotal	3,510,601,939.66			25,312,094.11	1,846,610.94	77,231,023.14	44,886,000.00	-1,887,031,763.57	1,683,073,904.28
Total	3,906,158,402.45		200,247,244.02	31,476,499.83	1,846,610.94	77,231,023.14	62,845,843.42	-1,887,031,763.57	1,866,587,685.35

Explanation: For other changes of Guangdong Nanyue Bank Co., Ltd., please refer to VII. 46. Retained profit.

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	400,000,000.00	4,000,000.00
Investment in equity instruments	119,927,003.25	141,910,000.00
Total	519,927,003.25	145,910,000.00

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. At 31 December 2020	6,446,222,194.78		6,446,222,194.78	
2. Increase during the period	763,625,528.06		763,625,528.06	
(1) Purchase				
(2) Transferred from construction in progress	21,853,611.35		21,853,611.35	
(3) Without additions arising from business combinations	741,771,916.71		741,771,916.71	
3. Decrease during the period	13,037,866.22		13,037,866.22	
(1) Disposal	13,037,866.22		13,037,866.22	
4. At 31 December 2021	7,196,809,856.62		7,196,809,856.62	
II. Accumulated depreciation and accumulated amortisation				
1. At 31 December 2020	503,062,626.78		503,062,626.78	
2. Increase during the period	221,180,376.65		221,180,376.65	
(1) Provision or amortisation	162,228,719.27		162,228,719.27	
(2) Without additions arising from business combinations	58,951,657.38		58,951,657.38	
3. Decrease during the period	971,578.72		971,578.72	
(1) Disposal	971,578.72		971,578.72	
4. At 31 December 2021	723,271,424.71		723,271,424.71	
III. Provision for impairment				
1. At 31 December 2020				
2. Increase during the period				
(1) Provision				
3. Decrease during the period				
(1) Provision				
4. At 31 December 2021				
IV. Carrying amount				
1. Carrying amount at 31 December 2021	6,473,538,431.91		6,473,538,431.91	
2. Carrying amount at 31 December 2020	5,943,159,568.00		5,943,159,568.00	

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 Plaze, 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 (法朶公寓), 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.

14. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	35,653,492,676.15	37,651,706,658.97
Total	35,653,492,676.15	37,651,706,658.97

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. At 31 December 2020	10,640,660,046.65	44,092,418,191.46	308,616,664.66	456,461,101.41	55,498,156,004.18
2. Increase during the period	149,459,764.51	117,225,399.26	4,916,941.02	6,891,328.77	278,493,433.56
(1) Acquisition	149,459,764.51	56,838,420.09	4,916,941.02	6,891,328.77	218,106,454.39
(2) Transferred from construction in progress		60,386,979.17			60,386,979.17
3. Decrease during the period	116,822,260.05	411,472,907.09	17,332,165.03	6,308,408.71	551,935,740.88
(1) Disposal or retirement	116,822,260.05	411,472,907.09	17,332,165.03	6,308,408.71	551,935,740.88
4. At 31 December 2021	10,673,297,551.11	43,798,170,683.63	296,201,440.65	457,044,021.47	55,224,713,696.86
II. Accumulated depreciation					
1. At 31 December 2020	2,055,823,328.64	15,125,890,831.31	182,038,050.14	276,762,643.94	17,640,514,854.03
2. Increase during the period	309,980,598.66	1,841,513,062.77	23,898,494.75	28,470,778.31	2,203,862,934.49
(1) Provision	309,980,598.66	1,841,513,062.77	23,898,494.75	28,470,778.31	2,203,862,934.49
3. Decrease during the period	63,673,178.21	394,560,345.52	15,023,027.18	4,855,662.64	478,112,213.55
(1) Disposal or retirement	63,673,178.21	394,560,345.52	15,023,027.18	4,855,662.64	478,112,213.55
4. At 31 December 2021	2,302,130,749.09	16,572,843,548.56	190,913,517.71	300,377,759.61	19,366,265,574.97
III. Provision for impairment					
1. At 31 December 2020	27,808,852.79	170,676,515.34	13,889.13	7,435,233.92	205,934,491.18
2. Increase during the period					
(1) Provision					
3. Decrease during the period		979,045.44			979,045.44
(1) Disposal or retirement		979,045.44			979,045.44
4. At 31 December 2021	27,808,852.79	169,697,469.90	13,889.13	7,435,233.92	204,955,445.74
IV. Carrying amount					
1. Carrying amount at 31 December 2021	8,343,357,949.23	27,055,629,665.17	105,274,033.81	149,231,027.94	35,653,492,676.15
2. Carrying amount at 31 December 2020	8,557,027,865.22	28,795,850,844.81	126,564,725.39	172,263,223.55	37,651,706,658.97

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	100,192,301.63	37,821,385.00	3,093,008.64	59,277,907.99	
Machinery and equipment	902,412,382.63	520,140,669.14	151,618,968.02	230,652,745.47	
Electronic equipment	754,860.94	672,773.80	7,187.27	74,899.87	
Total	1,003,359,545.20	558,634,827.94	154,719,163.93	290,005,553.33	

(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.)	1,096,012,481.78	Under application
Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.)	527,801,819.33	Under application
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	470,657,826.65	Under application
Housing and building structure (Jilin Chenming Paper Co., Ltd.)	379,117,972.03	Under application
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	205,518,010.27	Under application
Housing and building structure (Shandong Chenming Paper Holdings Limited)	112,402,583.17	Under application
Housing and building structure (Wuhan Chenming Hanyang Paper Holdings Co., Ltd.)	77,285,113.28	Under application

VII. Notes to items of the consolidated financial statements (Continued)

15. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	189,818,292.48	171,178,595.73
Materials for project	7,931,233.57	8,679,346.10
Total	197,749,526.05	179,857,941.83

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Technological transformation project	50,534,096.04		50,534,096.04	59,209,256.24		59,209,256.24
Integrated forestry, pulp and paper project (Huanggang Pulp & Paper)	16,687,683.29		16,687,683.29	16,235,880.67		16,235,880.67
Fly ash cement ceramsite production project (Shandong Chenming)	54,246,139.19		54,246,139.19	54,246,139.19		54,246,139.19
Light calcium carbonate project (Meilun)				13,836,002.27		13,836,002.27
Relocation of Wuhan household paper project (Phase II) (Meilun)	28,705,483.25		28,705,483.25	10,210,593.75		10,210,593.75
Others	60,783,562.47	21,138,671.76	39,644,890.71	47,129,181.78	29,688,458.17	17,440,723.61
Total	210,956,964.24	21,138,671.76	189,818,292.48	200,867,053.90	29,688,458.17	171,178,595.73

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	Transfer into investment property	Other Deductions during the period	Accumulated Closing balance	Investment to budget	Construction in progress	Accumulated Capitalised interest	Of which: Capitalisation rate of the		Source of fund
											Interest amount during the period	rate of the interest amount for the period	
Relocation of Wuhan household paper project (Phase II) (Meilun)	270,000,000.00	10,210,593.75	18,494,889.50				28,705,483.25	10.63%	50.00%				Self-owned funds and borrowings
Light calcium carbonate project (Meilun)	24,000,000.00	13,836,002.27	8,017,609.08		21,853,611.35			91.06%	100.00%				Self-owned funds and borrowings
Forestry-pulp-paper project (Huanggang Pulp & Paper)	70,000,000.00	16,235,880.67	44,844,691.36	44,392,888.74			16,687,683.29	87.26%	99.00%				Self-owned funds
Total	364,000,000.00	40,282,476.69	71,357,189.94	44,392,888.74	21,853,611.35		45,393,166.54						-

(3) Materials for project

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Special materials	7,931,233.57		7,931,233.57	8,679,346.10		8,679,346.10
Total	7,931,233.57		7,931,233.57	8,679,346.10		8,679,346.10

VII. Notes to items of the consolidated financial statements (Continued)

16. Right-of-use assets

Unit: RMB

Item	Land use rights	Housing and building structure	Total
I. Original carrying amount:			
1. Opening balance	219,101,390.27	5,571,378.54	224,672,768.81
2. Increase during the period			
(1) Lease			
3. Decrease during the period	1,003,531.21		1,003,531.21
(1) Sublease to finance lease			
(2) Transfer or held for sale			
(3) Other deductions	1,003,531.21		1,003,531.21
4. Closing balance	218,097,859.06	5,571,378.54	223,669,237.60
II. Accumulated depreciation			
1. Opening balance	18,548,990.80	247,058.26	18,796,049.06
2. Increase during the period	7,447,711.11	525,070.61	7,972,781.72
(1) Provision	7,447,711.11	525,070.61	7,972,781.72
(2) Other increases			
3. Decrease during the period	528,769.62		528,769.62
(1) Sublease to finance lease			
(2) Transfer or held for sale			
(3) Other deductions	528,769.62		528,769.62
4. Closing balance	25,467,932.29	772,128.87	26,240,061.16
III. Provision for impairment			
1. Opening balance			
2. Increase during the period			
(1) Provision			
3. Decrease during the period			
(1) Sublease to finance lease			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	192,629,926.77	4,799,249.67	197,429,176.44
2. Opening carrying amount	200,552,399.47	5,324,320.28	205,876,719.75

Explanation: Other deductions during the period were the termination of some lease contracts of Zhanjiang Arboriculture and Yangjiang Arboriculture.

VII. Notes to items of the consolidated financial statements (Continued)

17. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patents	Unpatented technology	Certificates of third party right	Total
I. Original carrying amount					
1. Opening balance	2,191,720,025.23	21,573,963.25	27,358,613.05	15,908,674.87	2,256,561,276.40
2. Increase during the period		430,015.51			430,015.51
(1) Acquisition		430,015.51			430,015.51
3. Decrease during the period	151,593,041.88	57,153.12			151,650,195.00
(1) Disposal	151,593,041.88	57,153.12			151,650,195.00
4. Closing balance	2,040,126,983.35	21,946,825.64	27,358,613.05	15,908,674.87	2,105,341,096.91
II. Accumulated amortisation					
1. Opening balance	448,158,030.38	20,561,952.90	911,953.77	12,304,830.02	481,936,767.07
2. Increase during the period	46,466,945.50	1,252,638.07	28,200.00	3,603,844.85	51,351,628.42
(1) Provision	46,466,945.50	1,252,638.07	28,200.00	3,603,844.85	51,351,628.42
(2) Other increases					
3. Decrease during the period	20,620,233.12				20,620,233.12
(1) Disposal	20,620,233.12				20,620,233.12
4. Closing balance	474,004,742.76	21,814,590.97	940,153.77	15,908,674.87	512,668,162.37
III. Impairment provision					
1. Opening balance					
2. Increase during the period					
(1) Provision					
(2) Other increases					
3. Decrease during the period					
(1) Disposal					
(2) Other deductions					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	1,566,122,240.59	132,234.67	26,418,459.28		1,592,672,934.54
2. Opening carrying amount	1,743,561,994.85	1,012,010.35	26,446,659.28	3,603,844.85	1,774,624,509.33

Explanation:

① For details of restricted ownership, please refer to note VII. 65.

② Certificates of third party right refer to enterprise emission rights, with the validity period between 14 September 2021 and 13 September 2026.

VII. Notes to items of the consolidated financial statements (Continued)

18. 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
Shandong Chenming Panels Co., Ltd.	5,969,626.57		5,969,626.57	
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	47,230,692.55		5,969,626.57	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 Provision	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 2022 to 2026 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.

VII. Notes to items of the consolidated financial statements (Continued)

19. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase during the period	Amortisation during the period	Other deductions	Closing balance
Woodland expenses	9,036,428.60	37,323.97	686,703.84		8,387,048.73
Others	42,025,056.89	2,007,010.16	3,277,342.64		40,754,724.41
Total	51,061,485.49	2,044,334.13	3,964,046.48		49,141,773.14

20. 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	2,323,311,804.03	544,452,793.22	2,210,402,262.82	509,732,949.61
Unrealised profit arising from intra-group transactions	110,621,031.60	27,655,257.90	205,628,008.40	51,407,002.10
Outstanding payables	646,596,211.53	97,758,308.63	538,679,932.17	88,774,034.53
Deferred income	202,273,476.76	30,341,021.50	127,445,713.46	21,358,762.71
Deductible loss	2,508,683,883.40	409,890,367.80	2,445,427,000.05	400,915,339.22
Debt reconstructing	18,734,830.91	4,683,707.73	47,906,363.94	11,976,590.97
Total	5,810,221,238.23	1,114,781,456.78	5,575,489,280.84	1,084,164,679.14

(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	22,697,097.44	5,674,274.36	43,816,906.47	6,572,535.97
Debt reconstructing	30,145,021.52	7,536,255.38		
Total	52,842,118.96	13,210,529.74	43,816,906.47	6,572,535.97

VII. Notes to items of the consolidated financial statements (Continued)

20. 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	1,671,856.52	59,564,220.72
Deductible loss	730,122,476.10	776,900,858.71
Total	731,794,332.62	836,465,079.43

(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
2021		66,234,527.65	
2022	166,532,843.73	187,801,057.21	
2023	129,523,478.05	138,151,854.93	
2024	90,461,838.25	108,619,258.72	
2025	249,242,062.93	276,094,160.20	
2026	94,362,253.14		
Total	730,122,476.10	776,900,858.71	

21. Other non-current assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Land transfer fees	298,072,250.68		298,072,250.68			
Consideration for acquisition of companies	127,500,000.00		127,500,000.00			
Payments for engineering and equipment	64,364,443.42		64,364,443.42	58,886,418.75		58,886,418.75
Total	489,936,694.10		489,936,694.10	58,886,418.75		58,886,418.75

VII. Notes to items of the consolidated financial statements (Continued)

22. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Mortgage borrowings	675,627,536.66	279,524,407.05
Guaranteed borrowings	7,734,756,765.41	7,536,960,272.39
Credit borrowings	8,847,850,884.15	8,189,875,845.09
Discounted borrowings	16,194,790,000.00	16,752,556,600.00
Pledged borrowings	70,000,000.00	35,075,833.33
Total	33,523,025,186.22	32,793,992,957.86

Other explanations:

- ① For classification and amount of pledged assets of mortgage borrowings, please see notes in relation, please see 1. Monetary funds and 65. Assets with restricted ownerships or right to use in Note VII;
- ② For classification and amount of mortgage assets of mortgage borrowings, please see notes in relation, please see 1. Monetary funds and 65. Assets with restricted ownerships or right to use in Note VII;
- ③ Overdue short-term borrowings: total outstanding short-term borrowing past due as at the end of the year amounted to RMB0.00.
- ④ Short-term borrowings included interest payable of RMB21,320,661.85

23. Bills payable

Unit: RMB

Item	Closing balance	Opening balance
Commercial acceptance bills	1,398,922,636.21	984,661,462.19
Bank acceptance bills	1,690,589,691.19	2,014,275,274.15
Total	3,089,512,327.40	2,998,936,736.34

Total outstanding bills payable due as at the end of the period amounted to RMB0.

VII. Notes to items of the consolidated financial statements (Continued)

24. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	3,074,700,464.48	3,416,069,031.99
Payment for engineering	307,195,168.83	139,679,646.76
Payment for equipment	249,371,719.69	260,995,383.02
Others	239,863,992.34	225,686,670.54
Total	3,871,131,345.34	4,042,430,732.31

(2) Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	3,282,236,529.52	3,478,181,213.77
1-2 years	229,465,372.73	252,769,346.06
2-3 years	164,915,158.41	131,122,082.59
Over 3 years	194,514,284.68	180,358,089.88
Subtotal	3,871,131,345.34	4,042,430,732.30

(3) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
BEIJING GUODIAN FUTONG SCIENCE AND DEVELOPMENT CO., LTD.	46,122,225.40	Not due for payment
WEIFANG XINGXING UNITED CHEMICAL CO., LTD.	23,311,078.67	Not due for payment
OMYA HAIMING (NANCHANG) CHEMICAL CO. LTD.	16,000,000.00	Not due for payment
CSSC 704TH RESEARCH INSTITUTE	15,654,258.23	Not due for payment
ZHEJIANG JNDIA PIPELINE INDUSTRY CO., LTD.	6,728,957.42	Not due for payment
TOTAL	107,816,519.72	-

VII. Notes to items of the consolidated financial statements (Continued)

25. Receipts in advance

Unit: RMB

Item	Closing balance	Open balance
Prepaid property rents	38,274,028.20	
Total	38,274,028.20	

26. Contract liabilities

Unit: RMB

Item	Closing balance	Reasons
Payment for goods in advance	1,382,289,597.54	1,051,147,044.74
Total	1,382,289,597.54	1,051,147,044.74

27. 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	231,749,583.09	1,249,838,322.01	1,311,733,655.40	169,854,249.70
II. Retirement benefit plan-defined contribution scheme	627,002.22	217,038,437.98	217,620,681.89	44,758.31
III. Termination benefits		1,031,921.95	1,031,921.95	
Total	232,376,585.31	1,467,908,681.94	1,530,386,259.24	169,899,008.01

VII. Notes to items of the consolidated financial statements (Continued)

27. 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	170,642,761.74	1,002,414,649.76	1,012,871,371.68	160,186,039.82
2. Staff welfare		57,305,121.60	57,305,121.60	
3. Social insurance premium	585,607.73	97,321,175.44	97,559,834.49	346,948.68
Of which: Medical insurance premium	575,413.71	88,822,377.06	89,053,438.61	344,352.16
Work-related injury insurance premium	3,538.60	5,051,271.91	5,054,712.07	98.44
Maternity insurance premium	6,655.42	3,447,526.47	3,451,683.81	2,498.08
4. Housing provident funds	7,998,911.38	78,972,630.28	81,876,733.99	5,094,807.67
5. Union funds and workers' education	30,774,839.48	11,636,725.47	40,923,229.44	1,488,335.51
6. Other short-term remuneration	21,747,462.76	2,188,019.46	21,197,364.20	2,738,118.02
Total	231,749,583.09	1,249,838,322.01	1,311,733,655.40	169,854,249.70

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance premiums	559,683.60	208,864,586.33	209,380,659.99	43,609.94
2. Unemployment insurance premiums	67,318.62	8,173,851.65	8,240,021.90	1,148.37
Total	627,002.22	217,038,437.98	217,620,681.89	44,758.31

VII. Notes to items of the consolidated financial statements (Continued)

28. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	89,597,918.41	274,637,537.42
Value added tax	125,522,336.03	294,438,467.26
Land use tax	9,240,921.98	7,522,959.20
Property tax	13,083,934.41	9,232,558.17
Urban maintenance and construction tax	3,748,576.77	10,137,043.67
Educational surcharges and others	2,931,140.78	8,112,168.27
Individual income tax	61,378,163.24	41,648,852.90
Land appreciation tax	4,076,160.22	2,024,028.20
Environmental Protection Tax	3,959,856.45	2,263,933.52
Resource tax	4,500,000.00	255.00
Stamp duty	3,456,472.38	2,630,037.02
Total	321,495,480.67	652,647,840.63

29. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	55,437,777.80	178,992,959.85
Dividend payable		
Other payables	1,482,575,808.13	1,777,722,407.98
Total	1,538,013,585.93	1,956,715,367.83

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on borrowings		81,495,654.29
Interest on Corporate Bonds	21,132,222.24	17,401,472.25
Interest on medium-term notes	34,305,555.56	80,095,833.31
Total	55,437,777.80	178,992,959.85

VII. Notes to items of the consolidated financial statements (Continued)

29. Other payables (Continued)

(2) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	550,223,956.81	625,546,672.65
Deposit	261,990,665.03	259,341,777.01
Accrued expenses	341,923,505.85	525,268,287.87
The obligation to repurchase shares under the share incentive scheme	226,860,000.00	226,860,000.00
Others	101,577,680.44	140,705,670.45
Total	1,482,575,808.13	1,777,722,407.98

2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
SHANGHAI SHUILAN PROPERTY MANAGEMENT CO., LTD.	136,000,000.00	Not yet due
NINE DRAGONS DAWEI HOLDINGS CO., LTD.	30,000,000.00	Not yet due
WEIFANG XINGXING UNITED CHEMICAL CO., LTD.	16,860,000.00	Not yet due
WUHAN TIANRUI PAPER CO., LTD.	7,941,708.00	Not yet due
SHENZHEN BAIYIXUAN PAPER CO., LTD.	4,050,000.00	Not yet due
Total	194,851,708.00	-

30. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	2,583,730,366.67	2,935,835,697.30
Bonds payable due within one year	1,270,636,933.46	
Long-term payables due within one year	1,543,620,543.60	1,621,095,530.96
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	2,599,411,670.09
Total	6,601,311,227.98	7,160,949,615.93

VII. Notes to items of the consolidated financial statements (Continued)

31. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable		157,037,833.35
Total		157,037,833.35

Increase/decrease in short-term bonds payable:

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	Closing balance
2020 first tranche of super & short-term commercial paper	300,000,000.00	2020-4-22	270 days	299,550,000.00	157,037,833.35				157,037,833.35	
Total	-	-	-	299,550,000.00	157,037,833.35				157,037,833.35	

32. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	3,921,048,883.74	4,618,249,057.65
Guarantee borrowings	2,028,979,800.00	4,319,737,618.80
Credit borrowings	1,910,041,837.91	2,075,000,000.00
Less: long-term borrowings due within 1 year	2,583,730,366.67	2,935,835,697.30
Total	5,276,340,154.98	8,077,150,979.15

Other explanation:

- 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 interest payable of RMB11,954,863.48.

VII. Notes to items of the consolidated financial statements (Continued)

33. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming Bond 01 – Chenming Group		89,957,250.00
18 Chenming Bond 01 – Chenming Group	155,000,000.00	350,000,000.00
Chenming USD Bonds		1,096,920,101.46
Total	155,000,000.00	1,536,877,351.46

(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
17 Chenming Bond 01 – Chenming Group	1,200,000,000.00	2017-8-22	5 years	1,198,200,000.00	89,957,250.00		3,753,750.00	42,750.00	93,753,750.00		
18 Chenming Bond 01 – Chenming Group	350,000,000.00	2018-4-2	5 years	350,000,000.00	350,000,000.00		26,600,000.00		26,600,000.00		350,000,000.00
Chenming USD Bonds	1,137,120,600.00	2019-8-6	2.6 years	1,125,276,863.46	1,096,920,101.46		94,314,839.95	4,104,713.26	94,909,032.00	-24,793,689.21	1,075,636,933.46
Less: bonds payable due within one year											1,270,636,933.46
Total	2,687,120,600.00	-	-	2,673,476,863.46	1,536,877,351.46		124,668,589.95	4,147,463.26	215,262,782.00	-24,793,689.21	155,000,000.00

34. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease payments payable	81,362,458.45	85,933,149.45
Less: Unrecognised financing expenses	19,474,535.06	21,054,661.97
Less: Lease liabilities due within one year	4,606,717.58	4,606,717.58
Total	57,281,205.81	60,271,769.90

VII. Notes to items of the consolidated financial statements (Continued)

35. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	2,358,901,022.99	2,295,309,357.74
Total	2,358,901,022.99	2,295,309,357.74

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	1,000,000.00	64,196,192.92
China Development Bank Special Fund	488,000,000.00	517,500,000.00
Contributions by other partners	225,000,000.00	34,210,000.00
Financial leasing	3,188,521,566.59	3,300,498,695.78
Subtotal	3,902,521,566.59	3,916,404,888.70
Less: Long-term payables due within 1 year	1,543,620,543.60	1,621,095,530.96
Total	2,358,901,022.99	2,295,309,357.74

Other explanations:

Contributions by other partners refer to the contributions made by other partners to Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership), the Company's special structured entity, Huanggang Chenming Pulp & Paper Co., Ltd., Zhanjiang Chenming Pulp & Paper Co., Ltd. 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	325,259,082.28	Losses from Arjo's lawsuit
Total	325,259,082.28	325,259,082.28	—

Other explanations:

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, Hong Kong High Court rejected the Company's appeal. On 21 January 2022, Hong Kong Court of Final Appeal accepted the Company's appeal, and no ruling has been made.

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	1,637,996,636.51	53,605,132.80	117,920,085.06	1,573,681,684.25	Financial provision
Total	1,637,996,636.51	53,605,132.80	117,920,085.06	1,573,681,684.25	–

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	1,287,825.00			164,700.00			1,123,125.00	Asset-related government grants
Infrastructure and environmental protection engineering	233,097,511.46	12,227,345.28		12,835,606.22		13,216,025.00	219,273,225.52	Asset-related government grants
Huanggang forestry-pulp paper project	479,669,171.13	41,377,787.52		24,200,216.24			496,846,742.41	Asset-related government grants
Zhanjiang forestry-pulp paper project	54,901,230.11			4,094,632.92			50,806,597.19	Asset-related government grants
Financial subsidies for technological transformation project	155,686,141.08			11,535,807.72			144,150,333.36	Asset-related government grants
Funding for environmental protection	677,639,567.56			50,592,141.88			627,047,425.68	Asset-related government grants
Others	35,715,190.17			1,280,955.08			34,434,235.09	Asset-related government grants
Total	1,637,996,636.51	53,605,132.80		104,704,060.06		13,216,025.00	1,573,681,684.25	

VII. Notes to items of the consolidated financial statements (Continued)

38. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Medium-term notes	1,198,716,666.67	3,388,933,356.16
Less: Other non-current liabilities due within 1 year	1,198,716,666.67	2,599,411,670.09
Total		789,521,686.07

39. Share capital

Unit: RMB

	Opening balance	New issue	Increase/decrease during the year (+/-)			Subtotal	Closing balance
			Bonus issue	Shares converted from reserves	Others		
Total number of shares	2,984,208,200.00					2,984,208,200.00	

40. Other equity instruments

(1) Preference Shares, Perpetual Bonds and other financial instruments 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	6.80%	100.00	10,000,000.00	1,000,000,000.00	No defined maturity date	None	Non-convertible
Total					10,000,000.00	1,000,000,000.00			

VII. Notes to items of the consolidated financial statements (Continued)

40. 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
Chenming You 01	22,500,000.00	2,238,750,000.00			22,500,000.00	2,238,750,000.00		
Chenming You 02	10,000,000.00	999,000,000.00			10,000,000.00	999,000,000.00		
Chenming You 03	12,500,000.00	1,239,750,000.00			12,500,000.00	1,239,750,000.00		
Total	55,000,000.00	5,473,500,000.00			45,000,000.00	4,477,500,000.00	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 instruments.

- ② The Company non-publicly issued Preference Shares amounting to RMB4,500 million on 17 March, 17 August and 22 September 2016 respectively. The proceeds net of issue costs amounted to RMB4,477.50 million.

VII. Notes to items of the consolidated financial statements (*Continued*)

40. Other equity instruments (*Continued*)

(2) Changes in Preference Shares, Perpetual Bonds and other financial instruments outstanding at the end of the period (*Continued*)

Holders of Preference Shares participate in profit distribution in two portions, namely the fixed dividend distributed based on a fixed dividend rate and the distribution of retained earnings realised for the year.

Distribution of fixed dividend

According to the Articles of Association, the Company shall distribute fixed dividends to holders of the Preference Shares at fixed dividend rate if there are distributable profits after making good losses and the contribution to reserve fund according to law. The Board is authorised by the general meeting to declare and pay all dividends on the Preference Shares in accordance with the issuance plan under the framework and principles considered and approved in the general meeting in respect of the Preference Shares. The general meeting of the Company has the right to cancel part of or all of the current dividends on the Preference Shares. However, when the general meeting of the Company considers the cancellation of part of or all of the current dividends on the Preference Shares, the Company shall inform the shareholders of Preference Shares at least 10 working days before the date of dividend payment in accordance with the requirements of the related authorities.

Participation in the distribution of retained earnings realised for the year

Holders of Preference Shares participate in the distribution of the retained earnings through receipt of cash which is non-cumulative and non-deferrable. In the event of making good losses and the contribution to reserve fund according to law, after receiving fixed dividends at fixed dividend rate as agreed, holders of Preference Shares can also participate in the distribution of the retained earnings for the year in proportion. Specific terms are as follows: the retained earnings for the year arises from net profit attributable to owners of the parent company on a consolidated basis upon distribution of relevant fixed income to holders of financial instruments such as the Preference Shares which may be classified under equity. 50% of the retained earnings shall be distributed to holders of Preference Shares and ordinary shareholders. Holders of Preference Shares shall participate in the distribution of the retained earnings by receiving cash dividends, and the ordinary shareholders shall participate in the distribution of the retained earnings by receiving cash dividends or dividends on ordinary shares.

Based on the above, the Preference Shares 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 were accounted for as other equity instruments – Preference Shares.

- ③ The Company redeemed in full the Preference Shares in issue during the year.

VII. Notes to items of the consolidated financial statements (Continued)

41. Capital reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	4,619,101,981.31	141,595,645.49	233,258,816.51	4,527,438,810.29
Other capital reserves	702,809,432.44	52,556,871.89		755,366,304.33
Total	5,321,911,413.75	194,152,517.38	233,258,816.51	5,282,805,114.62

Other explanations, including changes (increase or decrease) during the period and reasons for such changes:

- ① the Company repaid equity-settled Preference Shares with a decrease of capital reserves of RMB22,500,000.00 during the year;
- ② the Company recognised the management fees during the vesting period for the share-based payments with an increase of capital reserves of RMB52,556,871.89;
- ③ the Company acquired the non-controlling interests of Wuhan Chenming Hanyang Paper Holdings Co., Ltd. and Jiangxi Chenming Paper Co., Ltd. with a decrease of capital reserves of RMB184,122,332.33;
- ④ a capital increase of Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, was contributed on the part of other investors, which causing a decrease in the Company's shareholding without loss of control, and a decrease of capital reserves of RMB26,636,484.18;
- ⑤ a capital increase of Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, was contributed on the part of other investors, which causing a decrease in the Company's shareholding without loss of control, and an increase of capital reserves of RMB64,364,622.35;
- ⑥ Guangdong Nanyue Bank Co., Ltd., an associate of the Company, introduced investment on the part of other investors, which diluted the Company's equity interest, and an increase of capital reserves of RMB77,231,023.14.

42. Treasury shares

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share incentive	226,860,000.00			226,860,000.00
Total	226,860,000.00			226,860,000.00

Other explanations, including changes (increase or decrease) during the period and reasons for such changes:

During the year, the Company issued additional 79,600,000 A shares by implementing the share incentive scheme and recognised treasury shares for the obligation to repurchase.

VII. Notes to items of the consolidated financial statements (Continued)

43. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before income tax for the period	During the period		Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
			Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	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	-561,686,607.66	116,103,878.30				116,103,878.30		-445,582,729.36
1. Other comprehensive income that may be reclassified to profit and loss under the equity method	-12,359,143.50	1,846,610.94				1,846,610.94		-10,512,532.56
2. Translation differences of financial statements denominated in foreign currency	-549,327,464.16	114,257,267.36				114,257,267.36		-435,070,196.80
Total other comprehensive income	-561,686,607.66	116,103,878.30				116,103,878.30		-445,582,729.36

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

45. General risk reserves

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
General risk reserves	74,122,644.20	2,703,274.40		76,825,918.60
Total	74,122,644.20	2,703,274.40		76,825,918.60

VII. Notes to items of the consolidated financial statements (Continued)

46. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	9,999,764,028.74	9,306,269,617.38
Adjustment to opening balance of retained earnings (increase +, decrease -)	-1,887,031,763.57	
Opening balance of retained profit after adjustment	8,112,732,265.17	9,306,269,617.38
Plus: Net profit for the period attributable to shareholders of the parent company	2,065,513,108.71	1,712,029,078.52
Less: Transfer of statutory surplus reserves		
Transfer of discretionary surplus reserves		
Transfer of general risk reserves	2,703,274.40	
Ordinary dividend payable	552,078,517.01	437,433,593.74
Perpetual Bonds interest payable	89,700,000.00	194,000,000.00
Preference Shares interest payable	323,390,968.66	387,101,073.42
Retained profit as at the end of the period	9,210,372,613.81	9,999,764,028.74

Breakdown of adjustments to opening balance of retained earnings:

The Company implemented the new financial instrument standard earlier than its associate, Guangdong Nanyue Bank Co., Ltd., but during the period in which the associate had yet to implement the new standard, the Company did not adjust the financial statements of associates or joint ventures in accordance with the new standard when it adopted the equity method of accounting due to objective limitations. Pursuant to the “Fifth Batch of Questions and Answers on the Implementation of Accounting Standards for Enterprises for 2021 – (I) Questions and Answers on the Implementation of Long-term Equity Investment Standards” of the Accounting Department of the Ministry of Finance, since 1 January 2021, the associate adjusted the opening balances of the financial statements in accordance with the convergence requirements of the new standard, and the Company should adjust the opening balances of its 2021 financial statements accordingly when adopting the equity method of accounting.

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	31,933,583,202.54	24,460,067,257.53	30,047,258,084.97	23,046,708,818.72
Other activities	1,086,229,091.60	762,208,537.75	689,259,911.93	598,885,367.49
Total	33,019,812,294.14	25,222,275,795.28	30,736,517,996.90	23,645,594,186.21

Whether the lower of the audited net profit before or after deducting extraordinary gains or losses is a negative number

Yes No

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	31,681,986,516.67	352,102,173.73	166,355,538.98	819,368,064.76	33,019,812,294.14
Including:					
Machine-made paper	29,071,777,731.50				29,071,777,731.50
Financial leasing		327,001,050.30			327,001,050.30
Electricity and steam	303,940,594.69				303,940,594.69
Construction materials				349,945,005.51	349,945,005.51
Paper chemicals	131,104,964.35				131,104,964.35
Hotel and property rentals			148,941,357.80		148,941,357.80
Others	2,175,163,226.13	25,101,123.43	17,414,181.18	469,423,059.25	2,687,101,589.99
By geographical area	31,681,986,516.67	352,102,173.73	166,355,538.98	819,368,064.76	33,019,812,294.14
Including:					
Mainland China	27,556,185,875.73	352,102,173.73	166,355,538.98	819,368,064.76	28,894,011,653.20
Other countries and regions	4,125,800,640.94				4,125,800,640.94
By the timing of delivery	31,681,986,516.67	352,102,173.73	166,355,538.98	819,368,064.76	33,019,812,294.14
Including:					
Goods (at a point in time)	31,371,259,273.12		19,738,820.03	819,253,881.74	32,210,251,974.89
Services (within a certain period)	303,940,594.69	346,399,581.11	32,285,743.13		682,625,918.93
Leasing income	6,786,648.86	5,702,592.62	114,330,975.82	114,183.02	126,934,400.32

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	29,071,777,731.50	22,238,585,916.66	26,799,197,492.54	21,227,455,753.49
Construction materials	349,945,005.51	315,912,453.93	419,138,839.41	358,729,667.72
Financial leasing	327,001,050.30	21,147,808.43	935,121,026.20	127,620,095.42
Electricity and steam	303,940,594.69	260,019,123.96	195,367,954.91	130,435,496.35
Hotels and property rentals	148,941,357.80	124,619,857.81	93,370,973.05	165,846,288.06
Paper chemicals	131,104,964.35	117,040,239.12	144,274,657.39	124,475,985.43
Others	1,600,872,498.39	1,382,741,857.62	1,460,787,141.47	912,145,532.25
Total	31,933,583,202.54	24,460,067,257.53	30,047,258,084.97	23,046,708,818.72

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	9,579,581,625.05	6,540,978,628.51	7,900,414,595.22	5,764,493,788.34
Duplex press paper	7,287,152,353.07	6,004,341,245.63	6,880,399,009.21	5,658,261,879.44
Coated paper	4,310,744,513.87	3,130,491,004.15	4,134,523,188.76	3,253,634,912.22
Electrostatic paper	3,857,097,045.49	3,140,962,690.62	4,052,403,877.82	3,196,464,794.41
Anti-sticking raw paper	1,168,436,835.30	872,987,808.22	1,118,932,774.91	868,748,128.10
Thermal paper	540,941,351.36	475,188,142.15	519,335,040.60	460,436,980.49
Others	2,327,824,007.36	2,073,636,397.38	2,193,189,006.02	2,025,415,270.49
Total	29,071,777,731.50	22,238,585,916.66	26,799,197,492.54	21,227,455,753.49

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	24,945,977,090.56	18,540,658,115.75	23,746,039,543.40	18,651,686,646.79
Other countries and regions	4,125,800,640.94	3,697,927,800.91	3,053,157,949.14	2,575,769,106.70
Total	29,071,777,731.50	22,238,585,916.66	26,799,197,492.54	21,227,455,753.49

④ Revenue from top 5 customers

Unit: RMB

Period	Total revenue from top 5 customers	Percentage of the total revenue in the same period (%)
2021	5,259,350,805.45	15.93%
2020	4,206,250,003.00	13.68%

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 RMB862,831,558.41, which was expected to be recognised in 2022.

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	77,555,756.03	68,375,017.95
Urban maintenance and construction tax	46,766,679.96	52,280,034.26
Land use tax	40,855,126.39	29,847,867.46
Stamp duty	35,545,109.19	31,389,172.39
Resource tax	22,892,129.80	10,367,209.74
Educational surcharges	20,195,996.39	22,418,855.28
Local education surcharges	13,463,933.81	9,679,449.17
Land appreciation tax	9,175,506.88	2,681,494.52
Water conservation funds	697,713.50	2,683,161.08
Vehicle and vessel tax	142,969.16	125,784.05
Others	17,165,291.20	20,680,809.50
Total	284,456,212.31	250,528,855.40

49. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages	133,989,802.96	122,235,622.89
Hospitality expenses	59,259,329.16	55,229,939.72
Travel expenses	21,203,755.03	18,618,459.51
Selling commissions	11,490,724.59	27,552,636.35
Depreciation expenses	11,299,358.22	12,008,055.46
Rental expenses	8,941,037.14	6,714,594.29
Office expenses	2,318,832.06	3,071,737.33
Warehouse expenses	555,915.72	1,108,765.35
Others	44,450,937.63	51,706,545.01
Total	293,509,692.51	298,246,355.91

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	287,370,208.75	320,742,683.51
Production interruption loss	153,841,164.26	94,624,006.41
Depreciation expenses	104,079,387.00	104,091,133.86
Business hospitality expenses	75,588,054.15	87,331,837.47
Welfare expenses	67,448,271.74	64,686,363.40
Amortisation of intangible assets and long-term expenses	47,623,471.69	44,383,804.21
Repair cost and consumption of materials	29,577,039.42	23,829,844.68
Insurance premium	21,399,854.79	29,822,263.59
Travel expenses	14,082,788.42	16,069,151.86
Office expenses	6,016,174.24	3,759,121.11
Audit fees	5,211,323.99	5,668,334.66
Waste disposal expenses	1,438,177.80	9,862,736.52
Others	128,684,819.29	220,549,379.11
Total	942,360,735.54	1,025,420,660.39

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. R&D expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Consumption of materials	1,008,124,599.58	875,193,790.53
Energy and power	194,161,253.86	147,453,048.82
Wages and surcharges	155,808,154.72	148,290,430.65
Depreciation expenses	53,538,054.01	62,483,794.25
Insurance premium	29,407,238.86	20,343,290.79
Housing provident funds	5,375,717.76	9,489,172.29
Welfare expenses	2,838,027.33	4,551,325.39
Union funds	1,601,052.82	779,789.00
Installation expenses	1,423,823.71	1,885,550.14
Travel expenses	17,449.73	25,245.51
Other expenses	1,470,999.08	3,859,804.12
Total	1,453,766,371.46	1,274,355,241.49

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	2,648,200,417.05	3,144,464,077.81
Less: capitalised interest amount		19,103,008.81
interest income	587,289,410.33	887,004,185.02
Foreign exchange gains and losses	-9,455,468.81	-27,516,846.19
Less: capitalisation of foreign exchange gains and losses		
Bank charges and others	336,015,748.55	351,225,025.43
Total	2,387,471,286.46	2,562,065,063.22

53. Other income

Unit: RMB

Source of other income	Amount for the period	Amount for the prior period
Government grants – amortised deferred income included in profit or loss	104,704,060.06	108,476,698.60
Government grants – directly included in profit or loss	115,896,575.43	255,407,429.72
Total	220,600,635.49	363,884,128.32

54. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Investment gain on derecognition of financial assets	-258,113,630.19	-93,431,738.91
Investment gain on disposal of long-term equity investments	112,907,083.05	16,778,042.01
Income from long-term equity investments accounted for using the equity method	31,476,499.83	272,022,434.54
Investment gain on debt restructuring	24,593,731.72	-22,005,200.15
Dividend on financial assets held for trading and other non-current financial assets	19,557,976.67	
Total	-69,578,338.92	173,363,537.49

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
Financial assets held for trading	-78,631,913.62	10,126,787.86
Other non-current financial assets	1,600,000.00	9,464,346.45
Gain on change in fair value of consumable biological assets measured at fair value	-41,899.05	-13,329,852.55
Total	-77,073,812.67	6,261,281.76

56. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of bills receivable	20,880,443.83	63,022,468.83
Bad debt loss of financial lease payments	-239,469,507.89	-650,157,592.24
Bad debt loss of other receivables	-33,623,255.14	-47,955,924.76
Bad debt loss of other payments	-16,523,042.11	-16,633,823.40
Total	-268,735,361.31	-651,724,871.57

57. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
Loss on inventory impairment	-11,285,890.45	
Loss on fixed asset impairment		-13,410,000.00
Loss on construction in progress impairment		-163,717.76
Total	-11,285,890.45	-13,573,717.76

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 fixed assets ("-" denotes loss)	9,375,163.93	17,450,629.19
Gain on disposal of intangible assets ("-" denotes loss)	42,184,387.73	8,752,868.37
Total	51,559,551.66	26,203,497.56

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	42,486,362.10	577,140,958.93	42,355,655.95
Non-current assets damage and scrap profits	1,035,196.66	879,060.70	1,035,196.66
Exempted debts	12,729,703.07	7,086,812.20	12,729,703.07
Fine income	5,723,762.72	1,811,183.88	5,723,762.72
Others	9,719,362.26	13,547,672.44	9,719,362.26
Total	71,694,386.81	600,465,688.15	71,563,680.66

Government grants included in profit or loss for the period:

Unit: RMB

Grants item	Amount for the period	Amount for the prior period	Asset-related/ income-related
Grant income	42,486,362.10	43,750,958.93	Income-related
Relocation subsidy		533,390,000.00	Income-related
Total	42,486,362.10	577,140,958.93	

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	42,396,793.42		42,396,793.42
Loss from destroyed and damaged non-current assets	3,338,528.87	2,178,029.29	3,338,528.87
Donation	1,142,550.00	8,922,077.88	1,142,550.00
Others	95,188.91	1,817,128.52	95,188.91
Total	46,973,061.20	12,917,235.69	46,973,061.20

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	185,879,510.90	457,778,696.15
Deferred income tax expenses	30,616,777.64	-191,722,048.10
Total	216,496,288.54	266,056,648.05

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the period
Total profit	2,306,180,309.99
Income tax expenses calculated at statutory (or applicable) tax rates	345,927,046.50
Effect of different tax rates applicable to certain subsidiaries	566,463,757.61
Adjustments to income tax for prior periods	5,048,497.22
Profit and loss of joint ventures and associates accounted for using the equity method	4,721,474.97
Income not subject to tax (listed with "-")	-516,586,757.30
Non-deductible costs, expenses and losses	17,359,539.31
The effect of tax rate changes on the opening balance of deferred income tax	
Tax effect of utilisation of unrecognised deductible losses and deductible temporary differences in the previous year (listed with "-")	-121,859,010.96
Tax effect of utilisation of unrecognised deductible losses and deductible temporary differences	83,208,654.66
Tax effect of R&D fee deduction (listed with "-")	-154,331,913.47
The pre-tax deduction of the interest on Perpetual Bonds accounted as equity	-13,455,000.00
Income tax expense	216,496,288.54

VII. Notes to items of the consolidated financial statements (Continued)

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
Net proceedings from the financial leasing business	1,153,242,827.87	3,562,339,444.74
Finance expenses – Interest income	506,274,390.31	380,426,195.87
Open credit and other income	349,416,906.77	200,271,888.17
Government grants actually received	199,176,622.64	792,045,853.85
Default penalty and fine	11,844,722.79	21,312,403.81
Total	2,219,955,470.38	4,956,395,786.44

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Transportation expenses	961,442,438.95	1,098,519,658.39
Net investment in factoring business	737,000,000.00	
Financial institutions charge	210,288,974.16	244,065,319.39
Business hospitality expenses	106,007,628.02	114,049,421.75
Intermediary service expenses	39,555,241.62	49,981,129.73
Travel expenses	35,150,617.24	34,480,991.74
Repair expenses	33,427,722.45	30,764,539.64
Cargo handling charges	30,088,978.09	36,441,851.25
Office expenses	28,618,557.15	25,301,574.10
Insurance premium	22,171,792.20	30,058,435.52
Leasing expenses	17,039,644.42	11,613,158.79
Waste disposal expenses	20,081,650.19	18,878,944.13
Donation	1,142,550.00	8,922,077.88
Others	166,617,924.48	131,699,592.31
Total	2,408,633,718.97	1,834,776,694.62

VII. Notes to items of the consolidated financial statements (Continued)

62. Items on statements of cash flow (Continued)

(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	409,282,077.65
Net cash received from subsidiaries	44,674.62	
Total	493,700,048.10	409,282,077.65

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Equity payment for acquisition of companies	127,500,000.00	
Total	127,500,000.00	

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Short-term commercial paper	200,000,000.00	814,457,000.00
Equipment leaseback	2,071,358,708.00	900,000,000.00
Deposit for finance lease	60,000,000.00	362,299,603.12
Net recovery of guarantee deposit	2,286,599,788.67	3,153,589,473.80
Contributions by other partners	190,790,000.00	
Total	4,808,748,496.67	5,230,346,076.92

VII. Notes to items of the consolidated financial statements (Continued)

62. Items on statements of cash flow (Continued)

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of short-term commercial paper and MTN	2,745,000,000.00	2,190,000,000.00
Repayment of bonds	90,000,000.00	900,000,000.00
Repayment of equipment leaseback	2,252,587,404.38	2,568,988,488.34
Redemption of Preference Shares	4,500,000,000.00	
Payment of Preference Shares dividend	323,390,968.66	387,101,073.42
Payment of Perpetual Bonds interest	89,700,000.00	194,000,000.00
Repayment of financial support from shareholders		708,440,900.00
Security deposit for financial leasing	96,696,696.64	35,500,000.00
Repurchase of equity in China Development Bank funds	29,500,000.00	77,500,000.00
Acquisition of non-controlling interests	300,000,000.00	450,000,000.00
Total	10,426,875,069.68	7,511,530,461.76

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	2,089,684,021.45	1,906,213,294.49
Plus: Provision for impairment of assets	280,021,251.76	665,298,589.33
Depreciation of fixed assets, depreciation of investment property	2,366,091,653.76	2,260,280,953.35
Depreciation of right-of-use assets	7,972,781.72	7,602,966.21
Amortisation of intangible assets	51,351,628.42	49,691,095.45
Amortisation of long-term prepaid expenses	3,964,046.48	2,916,033.48
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-51,559,551.66	-26,203,497.56
Loss on scrapped fixed assets (“-” denotes gain)	2,303,332.21	1,298,968.59
Loss on changes in fair value (“-” denotes gain)	77,073,812.67	-6,261,281.76
Finance expenses (“-” denotes gain)	2,648,200,417.05	2,139,908,266.82
Investment loss (“-” denotes gain)	69,578,338.92	-173,363,537.49
Decrease in deferred income tax assets (“-” denotes increase)	-30,616,777.64	-191,722,048.10
Increase in deferred income tax liabilities (“-” denotes decrease)	6,637,993.77	5,161,410.38
Decrease in inventories (“-” denotes increase)	-156,406,209.61	-360,128,826.69
Decrease in operating receivables (“-” denotes increase)	3,208,289,966.45	5,956,184,790.79
Increase in operating payables (“-” denotes decrease)	-1,990,698,513.11	-977,074,501.01
Others		
Net cash flows from operating activities	8,581,888,192.64	11,259,802,676.28
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	3,168,915,847.02	4,389,169,963.79
Less: Opening balance of cash	4,389,169,963.79	2,890,328,027.41
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-1,220,254,116.77	1,498,841,936.38

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:	—
Of which: Wuhan Junheng Property Management Co. Ltd.	—
Less: Cash and cash equivalents held by the subsidiary on the acquisition date	44,674.62
Of which: Wuhan Junheng Property Management Co. Ltd.	44,674.62
Plus: Cash or cash equivalents paid in the current period for business combinations that occurred during previous periods	—
Of which: Wuhan Junheng Property Management Co. Ltd.	—
Net cash paid for acquisition of subsidiaries	-44,674.62

(3) Net cash received from disposal of subsidiaries during the current period

Unit: RMB

	Amount
Cash or cash equivalents received from disposal of subsidiaries during the period	318,000,000.00
Of which:	—
Shandong Chenming Power Supply Holdings Co., Ltd.	298,000,000.00
Chengdu Chenming Culture Communication Co., Ltd.	10,000,000.00
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	10,000,000.00
Less: Cash and cash equivalents held by subsidiaries as at the date of loss of control	11,760,452.52
Of which:	—
Shandong Chenming Power Supply Holdings Co., Ltd.	6,233,192.36
Chengdu Chenming Culture Communication Co., Ltd.	30,677.96
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	5,496,582.20
Plus: Cash or cash equivalents received in the current period for disposal of subsidiaries during previous periods	—
Of which:	—
Net cash received from disposal of subsidiaries	306,239,547.48

VII. Notes to items of the consolidated financial statements (Continued)

63. Supplementary information on cash flow statement (Continued)

(3) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	3,168,915,847.02	4,389,169,963.79
Of which: Treasury cash	2,926,080.68	2,161,684.57
Bank deposit that can be used for payment at any time	3,165,989,766.34	4,387,008,279.22
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	3,168,915,847.02	4,389,169,963.79
Of which: Restricted cash and cash equivalents used by the Company or subsidiaries within the Group		

64. Notes to items of statements of changes in owners' equity

The Company implemented the new financial instrument standard earlier than its associate, Guangdong Nanyue Bank Co., Ltd., but during the period in which the associate had yet to implement the new standard, the Company did not adjust the financial statements of associates or joint ventures in accordance with the new standard when it adopted the equity method of accounting due to objective limitations. Since 1 January 2021, the associate adjusted the opening balances of the financial statements in accordance with the convergence requirements of the new standard, and the Company should adjust the opening balances of its 2021 financial statements accordingly when adopting the equity method of accounting, resulting in opening balance of retained earnings – other decrease.

VII. Notes to items of the consolidated financial statements (Continued)

65. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	10,756,936,714.59	As guarantee deposits for bank acceptance bills and letter of credit and deposit reserves (Note VII. 1)
Bills receivable/accounts receivable financing	3,778,108.58	As collateral for letters of guarantee and letters of credit (Note VII. 4)
Accounts receivables	232,200,000.00	As deposits to obtain loans (Note VII. 3)
Financial assets held for trading	55,443,091.44	As deposits for borrowings from CMB International Securities (Note VII. 2)
Fixed assets	12,866,125,795.19	As collateral for bank borrowings and long-term payables (Note VII. 14)
Intangible assets	1,210,395,050.42	As collateral for bank borrowings and long-term payables (Note VII. 17)
Investment property	5,033,765,366.00	As collateral for bank borrowings (Note VII. 13)
Total	30,158,644,126.22	-

Other explanation:

As at 31 December 2021, housing, building structure and equipment with the carrying amount of RMB12,866,125,795.19 (31 December 2020: carrying amount of RMB11,147,836,807.04), intangible assets with the carrying amount of RMB1,210,395,050.42 (31 December 2020: carrying amount of RMB1,247,015,765.23), and investment properties with the carrying amount of RMB5,033,765,366.00 (31 December 2020: carrying amount of RMB4,929,794,589.62) was pledged as collateral for long-term borrowings of RMB3,921,048,883.74 (31 December 2020: RMB4,618,249,057.65) and short-term borrowings of RMB70,000,000.00 (31 December 2020: RMB35,075,833.33).

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	73,901,874.68	6.3757	471,176,182.40
EUR	1,411,646.44	7.2197	10,191,663.80
HKD	854,853.23	0.8176	698,928.00
GBP	8,174.64	8.6064	70,354.22
JPY	1,197.00	0.0554	66.31
Accounts receivables			
Of which: USD	31,844,557.98	6.3757	203,031,348.31
EUR	3,952,003.65	7.2197	28,532,280.75
JPY	146,734,998.00	0.0554	8,129,118.89
Other receivables			
Of which: USD	266,342.71	6.3757	1,698,121.22
EUR	79,086.83	7.2197	570,983.19
Accounts payable			
Of which: USD	62,361,234.07	6.3757	397,596,520.06
EUR	2,518,428.32	7.2197	18,182,296.94
Other payables			
Of which: USD	17,729,514.03	6.3757	113,038,062.60
EUR	127,684.25	7.2197	921,841.98
Short-term borrowings			
Of which: USD	301,125,515.81	6.3757	1,919,885,951.15
HKD	49,602,769.39	0.8176	40,555,224.25
Long-term borrowings			
Of which: USD	1,589,700.00	6.3757	10,135,450.29
Non-current liabilities due within one year			
Of which: USD	183,708,837.22	6.3757	1,171,272,433.46

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

VII. Notes to items of the consolidated financial statements (Continued)

67. Government grants

(1) General information of government grants

Unit: RMB

Type	Amount	Reporting item	Amount included in the current profit and loss
Project Funding for National Key Technology Research and Development Program	164,700.00	Other income	164,700.00
Infrastructure and environmental protection engineering	12,835,606.22	Other income	12,835,606.22
Zhanjiang forestry-pulp-paper project	4,094,632.92	Other income	4,094,632.92
Enterprise reform and development subsidies	74,297,897.20	Other income and non-operating income	74,297,897.20
Financial subsidies for technological transformation project	38,603,317.72	Other income	38,603,317.72
Funding for environmental protection	50,794,311.52	Other income	50,794,311.52
Huanggang forestry-pulp-paper project	24,200,216.24	Other income	24,200,216.24
Refund of VAT upon assessment	768,780.56	Other income	768,780.56
Subsidy for top-notch talents	660,000.00	Other income	660,000.00
Subsidy for inviting investments	22,921,843.36	Other income	22,921,843.36
Employment stabilisation subsidies	1,626,174.63	Other income	1,626,174.63
Subsidies for social insurance	345,163.82	Other income	345,163.82
Subsidies for R&D	2,476,800.00	Other income	2,476,800.00
Subsidies for financing	576,300.00	Other income	576,300.00
Refund of tax	8,149,743.76	Other income	8,149,743.76
Government Incentive	6,821,907.00	Non-operating income	6,821,907.00
Subsidies for the pandemic	200,000.00	Non-operating income	200,000.00
Subsidies for forestation	1,404,769.00	Other income	1,404,769.00
Others	12,144,833.64	Other income and non-operating income	12,144,833.64
Total	263,086,997.59		263,086,997.59

XII Financial Report

VII. Notes to items of the consolidated financial statements (Continued)

67. Government grants (Continued)

(2) The condition of the refund of government grants

Applicable Not applicable

Unit: RMB

Item	Amount	Reason
Infrastructure and environmental protection engineering	13,216,025.00	The government repossessed the land
Total	13,216,025.00	

VIII. Change in scope of consolidation

1. Disposal of subsidiaries

Whether there is loss of control over subsidiaries on a single disposal

Yes No

Unit: RMB

Name of subsidiary	Consideration of disposal of equity interest	Shareholding of disposal of equity interest	Way of disposal of equity interest	Time of loss of control	Basis for determining the time of loss of control	Difference between consideration and share of net assets of relevant subsidiary as per consolidated financial statements	Remaining shareholding as of the date of loss of control	Carrying amount of remaining shareholding as of the date of loss of control	Fair value of remaining shareholding as of the date of loss of control	Gain or loss in fair value of remaining shareholding	Determination and key assumption	Relevant other Comprehensive income of former subsidiary transferred to profit or loss
											of remaining shareholding as of the date of loss of control	
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	12,580,000.00	100.00%	Transfer	2021/1/1	Without control	676,586.27	0.00%	0.00	0.00	0.00		0.00
Chengdu Chenming Culture Communication Co., Ltd.	11,040,000.00	100.00%	Transfer	2021/9/30	Without control	2,215,273.26	0.00%	0.00	0.00	0.00		0.00
Shandong Chenming Power Supply Holdings Co., Ltd.	298,000,000.00	100.00%	Transfer	2021/9/30	Without control	110,262,467.54	0.00%	0.00	0.00	0.00		0.00

VIII. Change in scope of consolidation (Continued)

1. Disposal of subsidiaries (Continued)

Other explanation:

Whether there was disposal of the investment in a subsidiary in stages through multiple transactions and loss of control during the period

Yes No

Transactions in a basket

Applicable Not applicable

2. Others

During the reporting period, 6 companies were added to the scope of consolidation. In particular, 5 companies were newly established subsidiaries, namely Shanghai Chenyin Trading Co., Ltd., Nanchang Shengheng Trading Co., Ltd., Nanchang Kunheng Trading Co., Ltd., Weifang Chendu Equity Investment Partnership (Limited Partnership) and Huanggang Chenming Pulp & Fiber Trading Co., Ltd. During the reporting period, a subsidiary was acquired not within the definition of business, namely Wuhan Junheng Property Management Co., Ltd.

During the reporting period, 7 companies were reduced from the scope of consolidation. In order to further focus on the principal business of pulp production and paper making, divest non-principal business assets and optimise resource allocation, the Company disposed of 100% equity interest in Zhanjiang Chenming New-style Wall Materials Co., Ltd., Chengdu Chenming Culture Communication Co., Ltd., Shandong Chenming Power Supply Holdings Co., Ltd., Shandong Chenming Panels Co., Ltd., Shouguang Chenming Cement Co., Limited and Shouguang Chenming Floor Board Co., Ltd. Such companies were excluded from the scope of consolidation. A subsidiary, Shandong Chenming Coated Paper Sales Co. Ltd., was absorbed into the Group.

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	96.26%		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
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

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 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
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan	Wuhan	Thermal power	For-profit corporation		51%	Establishment	0	0
Shandong Chenming Investment Limited	Jinan	Jinan	Investment	For-profit corporation		100%	Establishment	0	0

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			
Japan Chenming Paper 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
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

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			
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	Qingdao	Qingdao	Trading	For-profit corporation	30%	70%	Establishment	0	0
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang	Zhanjiang	Port	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 (BVI) 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) Co., Ltd.	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100%	Establishment	0	0
Chenming (Singapore) Co., Ltd.	Singapore	Singapore	Paper product trading	For-profit corporation		100%	Establishment	0	0
Kunshan Tuohan Plastic Products Co., Ltd.	Kunshan	Kunshan	Rubber and plastic	For-profit corporation		100%	Merger and acquisition	0	0

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			
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
Qingdao Chenming Import and Export Trade Co., Ltd.	Qingdao	Qingdao	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		99.9001%	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

(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%	-3,455,996.31		95,294,190.47
Shouguang Meilun Paper Co., Ltd.	37.5136%	34,688,699.68	48,309,125.87	2,559,498,470.96
Zhanjiang Chenming Pulp & Paper Co., Ltd.	3.74%		2,000,000.00	283,635,377.65

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.	664,927,705.80	499,632,230.38	1,164,559,936.18	783,383,174.36		783,383,174.36	210,008,389.30	531,396,869.27	741,405,258.57	346,404,511.49		346,404,511.49
Shouguang Meilun Paper Co., Ltd.	7,009,260,465.11	10,661,260,325.99	17,670,520,791.10	7,674,675,762.57	1,687,766,004.18	9,362,441,766.75	3,954,358,701.82	10,971,104,092.03	14,925,462,793.85	7,816,696,759.19	1,228,430,785.12	9,045,127,544.31
Zhanjiang Chenming Pulp & Paper Co., Ltd.	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	9,674,420,109.40	14,008,067,430.74	23,682,487,540.14	10,656,651,818.59	2,827,774,072.22	13,484,425,890.81

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.	689,339,213.30	-13,823,985.26	-13,823,985.26	-437,908,937.70	642,697,593.98	1,535,786.88	1,535,786.88	-345,949,577.00
Shouguang Meilun Paper Co., Ltd.	8,705,143,361.05	245,313,174.65	245,313,174.65	1,502,784,779.10	8,070,365,747.22	219,893,721.83	219,893,721.83	1,505,697,902.65
Zhanjiang Chenming Pulp & Paper Co., Ltd.	13,110,229,643.09	1,093,678,580.62	1,095,525,191.56	2,993,663,137.46	11,870,586,483.29	1,192,007,567.15	1,179,648,423.65	1,603,505,193.56

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 89.95% of equity interest in Jiangxi Chenming Paper Co., Ltd. In December 2021, the Company entered into the Equity Purchase Agreement with Western Trust Co., Ltd. to purchase an additional 10.05% equity interest. As of 31 December 2021, the Equity Purchase Agreement was fulfilled and the consideration for the transaction was RMB300.00 million. The transaction resulted in a decrease in minority interest of RMB275.8777 million and a decrease in capital reserves of RMB24.1223 million.

The Company previously held 87.40% of equity interest in Shouguang Meilun Paper Co., Ltd. In March 2021, Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership) made a unilateral capital contribution to Shouguang Meilun Paper Co., Ltd. Upon completion of the capital increase, its equity interest in Shouguang Meilun Paper Co., Ltd. was 13.04%, and the transaction did not result in loss of control over Shouguang Meilun Paper Co., Ltd. by the Company. The transaction resulted in a decrease in capital reserves of RMB12.3030 million.

The Company previously held 76.00% of equity interest in Shouguang Meilun Paper Co., Ltd. In June 2021, the Company, SWSC Innovation Investment Co., Ltd. and CCB Financial Asset Investment Co., Ltd. jointly made capital contribution to Shouguang Meilun Paper Co., Ltd. Upon completion of the capital increase, SWSC Innovation Investment Co., Ltd.'s equity interest in Shouguang Meilun Paper Co., Ltd. was 2.22%, and the transaction did not result in the loss of control over Shouguang Meilun Paper Co., Ltd. by the Company. CCB Investment-Shandong Development Debt-to-Equity Swap Investment Scheme, which is controlled by the Company, has acquired 15.56% equity interest in Shouguang Meilun Paper Co., Ltd. The transaction resulted in a decrease in capital reserves of RMB14.3335 million.

The Company previously held 100.00% of equity interest in Zhanjiang Chenming Pulp & Paper Co., Ltd. In December 2021, Beijing Chuanfa Investment Management Co. Ltd. made a unilateral capital contribution to Zhanjiang Chenming Pulp & Paper Co., Ltd. Upon completion of the capital increase, its equity interest in Zhanjiang Chenming Pulp & Paper Co., Ltd. was 3.74%, and the transaction did not result in the loss of control over Zhanjiang Chenming Pulp & Paper Co., Ltd. by the Company. The transaction resulted in an increase in capital reserves of RMB64.3646 million.

(2) Effect of the transactions on minority interest and equity attributable to the owners of the parent company

Unit: RMB

Item	Jiangxi Chenming Paper Co., Ltd.
Acquisition cost/disposal consideration	300,000,000.00
– Cash	300,000,000.00
– Fair value of non-cash assets	
Total acquisition cost/disposal consideration	300,000,000.00
Less: share of net assets in subsidiaries based on shares acquired/disposed	275,877,667.67
Difference	24,122,332.33
Of which: capital reserve adjustment	-24,122,332.33

IX. Interest in other entities (Continued)

2. Transaction changing shareholding in but not causing to loss of control over subsidiaries (Continued)

- (3) Effect of unilateral capital increase by minority interests on minority interests and equity attributable to the owners of the parent company

Unit: RMB

Item	Capital contribution of Weifang Chenchuang Equity Investment Partnership (Limited Partnership) to Shouguang Meilun Paper Co., Ltd.
Amount of capital increase	900,000,000.00
Share of net assets of the Company after the capital increase	5,325,833,586.12
Share of net assets of the Company before the capital increase	5,338,136,620.06
Difference	12,303,033.94
Of which: capital reserve adjustment	-12,303,033.94

- (4) Effect of capital increase jointly by the Company and minority interests on minority interests and equity attributable to the owners of the parent company

Unit: RMB

Item	Capital contribution of the Company and SWSC Innovation Investment Co., Ltd. to Shouguang Meilun Paper Co., Ltd.
Amount of capital increase by minority interest	200,000,000.00
Share of net assets of the Company after the capital increase	6,476,705,570.96
Share of net assets of the Company before the capital increase	5,091,039,021.20
Difference	1,385,666,549.76
Amount of capital increase by the Debt-to-Investment Swap Investment Scheme controlled the Company	1,400,000,000.00
Difference	-14,333,450.24
Of which: capital reserve adjustment	-14,333,450.24

IX. Interest in other entities (Continued)

2. Transaction changing shareholding in but not causing to loss of control over subsidiaries (Continued)

- (5) Effect of unilateral capital increase by minority interests on minority interests and equity attributable to the owners of the parent company

Unit: RMB

Item	Capital contribution of Beijing Chuanfa Investment Management Co. Ltd. to Zhanjiang Chenming Pulp & Paper Co., Ltd.
Amount of capital increase	350,000,000.00
Share of net assets of the Company after the capital increase	7,344,941,323.28
Share of net assets of the Company before the capital increase	7,280,576,700.93
Difference	64,364,622.35
Of which: capital reserve adjustment	64,364,622.35

3. Interest in joint arrangements or associates

(1) Major joint ventures or associates

Name of joint venture or associate	Principal 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%		Equity method
Weifang Xingxing United Chemical Co., Ltd.	Weifang	Weifang	Chemical	50%		Equity method
II. Associate						
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Ningbo	Ningbo	Investment management	40%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai	Zhuhai	Investment management	50%		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

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 Weifang Sime Darby West Port Co., Ltd.	Opening balance/ amount for the prior period Weifang Sime Darby West Port Co., Ltd.
Current assets	21,774,345.85	11,717,494.06
Of which: Cash and cash equivalents	7,054,019.11	5,739,139.97
Non-current assets	507,959,459.20	526,006,172.67
Total assets	529,733,805.05	537,723,666.73
Current liabilities	12,094,403.33	17,876,446.30
Non-current liabilities	377,812,252.49	370,515,018.03
Total liabilities	389,906,655.82	388,391,464.33
Minority interest		
Equity interest attributable to shareholders of the parent company	139,827,149.23	149,332,202.40
Share of net assets based on shareholding	69,913,574.62	74,666,101.20
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions	7,457,424.13	7,277,405.72
– Others		
Carrying amount of equity investment in joint ventures	77,370,998.75	81,943,506.92
Fair value of equity investment in joint ventures where publicly quoted prices exist		
Revenue	62,902,209.91	56,243,755.61
Finance expenses	21,543,430.57	21,875,452.03
Income tax expenses		
Net profit	-9,145,016.34	-15,604,782.40
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-9,145,016.34	-15,604,782.40
Dividends received from joint ventures during the year		

IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates *(Continued)*

(2) Key financial information of major joint ventures *(Continued)*

	Closing balance/ amount for the period Weifang Xingxing United Chemical Co., Ltd.	Opening balance/ amount for the prior period Weifang Xingxing United Chemical Co., Ltd.
Current assets	100,024,598.36	118,868,385.80
Of which: Cash and cash equivalents	10,187,071.60	37,588,664.71
Non-current assets	20,299,403.19	24,644,081.09
Total assets	120,324,001.55	143,512,466.89
Current liabilities	27,883,399.22	26,318,294.93
Non-current liabilities	12,417,862.06	22,662,556.59
Total liabilities	40,301,261.28	48,980,851.52
Minority interest		
Equity interest attributable to shareholders of the parent company	80,022,740.27	94,531,615.37
Share of net assets based on shareholding	40,011,370.14	47,265,807.69
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions	44,612,417.61	44,608,577.43
– Others		
Carrying amount of equity investment in joint ventures	84,623,787.74	91,874,385.12
Fair value of equity investment in joint ventures where publicly quoted prices exist		
Revenue	12,677,764.43	1,596,938.76
Finance expenses	-338,798.67	-733,877.86
Income tax expenses		
Net profit	-14,501,194.76	-3,183,622.90
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-14,501,194.76	-3,183,622.90
Dividends received from joint ventures during the year		

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	4,378,938.81	24,928,544.79
Non-current assets	189,276,706.00	171,877,206.00
Total assets	193,655,644.81	196,805,750.79
Current liabilities		19,749.95
Non-current liabilities		
Total liabilities		19,749.95
Net assets	193,655,644.81	196,786,000.84
Minority interest		
Equity interest attributable to shareholders of the parent company	193,655,644.81	196,786,000.84
Share of net assets based on shareholding	77,459,159.43	78,714,400.34
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others	119,838,326.16	119,835,525.93
Carrying amount of equity investment in associates	197,297,485.59	198,549,926.27
Fair value of equity investment in associate where publicly quoted prices exist		
Revenue		
Net profit	-3,131,226.94	-2,447,303.13
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-3,131,226.94	-2,447,303.13
Dividends received from associates during the year		

IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates *(Continued)*

(3) Key financial information of major associates *(Continued)*

	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	7,991,295.94	5,788,211.20
Non-current assets	65,956,891.00	99,020,108.00
Total assets	73,948,186.94	104,808,319.20
Current liabilities	5,000.00	5,000.00
Non-current liabilities		
Total liabilities	5,000.00	5,000.00
Net assets	73,943,186.94	104,803,319.20
Minority interest		
Equity interest attributable to shareholders of the parent company	73,943,186.94	104,803,319.20
Share of net assets based on shareholding	36,967,896.31	52,401,659.62
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others		
Carrying amount of equity investment in associates	36,967,896.31	52,401,659.62
Fair value of equity investment in associate where publicly quoted prices exist		
Revenue		
Net profit	-857,132.26	-22,660.59
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-857,132.26	-22,660.59
Dividends received from associates during the year	15,000,000.00	

IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates *(Continued)*

(3) Key financial information of major associates *(Continued)*

	Closing balance/ amount for the period Goldtrust Futures Co., Ltd.	Opening balance/ amount for the prior period Goldtrust Futures Co., Ltd.
Current assets	764,880,728.01	764,236,547.83
Non-current assets	20,791,974.11	18,545,737.98
Total assets	785,672,702.12	782,782,285.81
Current liabilities	556,373,303.71	544,534,428.24
Non-current liabilities	34,269,041.10	32,169,041.10
Total liabilities	590,642,344.81	576,703,469.34
Net assets	195,030,357.31	206,078,816.47
Minority interest		
Equity interest attributable to shareholders of the parent company	195,030,357.31	206,078,816.47
Share of net assets based on shareholding	69,099,255.59	73,013,724.68
Adjustments		
– Goodwill	104,073,292.25	104,073,292.25
– Unrealised profit arising from intra-group transactions		
– Others	12,279,914.66	12,279,914.66
Carrying amount of equity investment in associates	185,452,462.50	189,366,931.59
Fair value of equity investment in associate where publicly quoted prices exist		
Revenue	103,690,500.67	49,996,217.01
Net profit	-9,202,201.83	-9,500,497.09
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-9,202,201.83	-9,500,497.09
Dividends received from associates during the year		

IX. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates *(Continued)*

(3) Key financial information of major associates *(Continued)*

	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	146,917,546,535.28	180,617,874,651.18
Non-current assets	58,633,124,899.89	47,461,533,497.99
Total assets	205,550,671,435.17	228,079,408,149.17
Current liabilities	163,449,937,524.03	196,409,034,455.53
Non-current liabilities	23,509,056,497.47	25,010,828,827.69
Total liabilities	186,958,994,021.50	221,419,863,283.22
Net assets	18,591,677,413.67	6,659,544,865.95
Minority interest		
Equity interest attributable to shareholders of the parent company	18,591,677,413.67	6,659,544,865.95
Share of net assets based on shareholding	1,255,867,809.29	1,173,266,521.78
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others		-1,887,031,763.57
Carrying amount of equity investment in associates	1,255,867,809.29	3,060,298,285.35
Fair value of equity investment in associate where publicly quoted prices exist		
Revenue	3,251,913,154.26	4,849,150,132.82
Net profit	422,983,523.89	1,539,105,400.52
Net profit from discontinued operations		
Other comprehensive income	27,336,949.46	
Total comprehensive income	450,320,473.35	1,539,105,400.52
Dividends received from associates during the year	28,000,000.00	12,560,712.33

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	21,518,994.58	22,032,934.47
Total amount of the following items based on shareholding	486,060.11	1,646,466.86
– Net profit	486,060.11	1,646,466.86
– Other comprehensive income		
– Total comprehensive income	486,060.11	1,646,466.86
Associates:		
Total carrying amount of investment	7,488,250.59	9,985,136.83
Total amount of the following items based on shareholding	-610,886.24	-374,714.00
– Net profit	-610,886.24	-374,714.00
– Other comprehensive income		
– Total comprehensive income	-610,886.24	-374,714.00

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, financial assets held for trading, other non-current financial assets, long-term receivables, bills payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, 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 bill receivable, 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 24.95% (2020: 21.47%) of the Company's total accounts receivables. The amount of top 5 other receivable of the Company accounted for 72.71% (2020: 81.22%) of the Company's total other receivables.

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 2021, the Company's unused bank loan credit was RMB42,832.1880 million (31 December 2020: RMB38,894.7823 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 ten thousand RMB):

Item	2021.12.31					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 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	8,329.67	5,600.00		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	2,854,433.13	201,047.51	8,329.67	5,600.00		3,069,410.31
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	88,929.00	10,929.00	303,251.00	527,634.02
Lease liabilities		472.83	1,312.99	1,312.99	4,594.13	7,692.94
Long-term payables		135,205.52	47,993.95	18,273.94		201,473.41
Total financial liabilities and contingent liabilities	4,891,601.42	260,203.37	153,735.94	30,515.93	307,845.13	5,643,901.81

X. Risk relating to financial instruments *(Continued)*

1. Risk management goals and policies *(Continued)*

(2) Liquidity risk *(Continued)*

As at the beginning 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 ten thousand RMB):

Item	2020.12.31					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	
Financial assets:						
Monetary funds	1,775,953.76					1,775,953.76
Accounts receivable	247,416.05					247,416.05
Accounts receivable financing	48,838.57					48,838.57
Other receivables	296,054.64					296,054.64
Long-term receivables		452,285.93	61,971.92	3,420.00		517,677.85
Other current assets	271,691.87					271,691.87
Non-current assets due within one year	422,274.42					422,274.42
Total financial assets	3,062,229.31	452,285.93	61,971.92	3,420.00		3,579,907.16
Financial liabilities:						
Short-term borrowings	3,279,399.30					3,279,399.30
Bills payable	299,893.67					299,893.67
Accounts payable	404,243.07					404,243.07
Other payables	177,772.24					177,772.24
Non-current liabilities due within one year	716,094.96					716,094.96
Other current liabilities	15,703.78					15,703.78
Long-term borrowings		258,446.95	203,956.69	10,909.00	334,402.46	807,715.10
Bonds payable		153,687.74				153,687.74
Lease liabilities		443.29	472.83	5,111.06		6,027.18
Long-term payables		148,649.69	64,102.65	16,778.59		229,530.93
Total financial liabilities and contingent liabilities	4,893,107.02	561,227.67	268,532.17	32,798.65	334,402.46	6,090,067.97

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.

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's finance department 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 ten thousand RMB):

Item	Balance for the year	Balance for the prior year
Financial instrument with fixed interest rate		
Financial liabilities		
Of which: Short-term borrowings	3,350,170.45	3,279,399.30
Long-term borrowings	526,438.53	807,715.10
Bonds payable	15,500.00	153,687.74
Long-term borrowings due within one year	258,373.04	
Bonds payable due within one year	127,063.69	
Total	4,277,545.71	4,240,802.14
Financial instrument with float interest rate		
Financial assets		
Of which: Monetary funds	316,598.98	438,700.83
Total	316,598.98	438,700.83

X. Risk relating to financial instruments *(Continued)*

1. Risk management goals and policies *(Continued)*

(3) Market risk *(Continued)*

Interest rate risk *(Continued)*

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 2021 are as follows (in RMB ten thousands):

Item	Liabilities denominated in foreign currency		Asset denominated in foreign currency	
	As at the end of the period	As at the beginning of the period	As at the end of the period	As at the beginning of the period
USD	361,192.84	589,167.11	67,590.57	36,393.34
EUR	1,910.41	2,692.09	3,929.49	4,547.15
HKD	4,055.52	9,131.73	69.89	294.97
KRW			7.04	
YEN		0.05	812.91	880.88
GBP				4.64
Total	367,158.77	600,990.98	72,409.90	42,120.98

The Company closely monitors the impact of exchange rate changes on the Company's foreign exchange risk. The Company has not taken any measures to avoid foreign exchange risks. However, the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

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 ten thousands):

Increase (decrease) in after-tax profits	Balance for the year		Balance for the prior year	
Increase in exchange rate of USD	5%	-14,680.11	5%	-27,638.69
Decrease in exchange rate of USD	-5%	14,680.11	-5%	27,638.69
Increase in exchange rate of Euro	5%	100.95	5%	92.75
Decrease in exchange rate of Euro	-5%	-100.95	-5%	-92.75

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 2021, the Company's gearing ratio is 72.78% (31 December 2020: 71.83%).

XI. Fair value disclosure

1. Fair value of assets and liabilities measured at fair value as at the end of the period

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement of fair value				
(i) Financial liabilities held for trading	110,886,182.88			110,886,182.88
1. Equity instrument investments	110,886,182.88			110,886,182.88
(ii) Accounts receivable financing		435,459,341.76		435,459,341.76
(iii) Other non-current financial assets		519,927,003.25		519,927,003.25
(iv) Biological assets		1,519,305,850.77		1,519,305,850.77
1. Consumable biological assets		1,519,305,850.77		1,519,305,850.77
Total assets continuously measured at fair value	110,886,182.88	2,474,692,195.78		2,585,578,378.66

XI. Fair value disclosure (Continued)

2. Quantitative information about significant unobservable inputs used in the level 3 fair value measurement that are significant

Item	Fair value as at the end of the period	Valuation techniques	Unobservable inputs	Range
Equity instrument investments:				
Shandong Hongqiao Venture Capital Co., Ltd.	72,510,000.00	Cost method		
Consumable biological assets:				
Forestry	1,519,305,850.77	Replacement cost method	Cost per mu for the first year of Eucalyptus	854.36(ton/RMB)
			Cost per mu for the first year of Pines	627.52(ton/RMB)
		Roll back method of market price	Unit price per tonne of Eucalyptus wood	600.00(ton/RMB)
			Unit price per tonne of wet pine	532.00(ton/RMB)
			Unit price per tonne of Chinese fir	800.00(ton/RMB)

XII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	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	27.53%	27.53%

The ultimate controller of the Company is Shouguang State-owned Assets Supervision and Administration Office.

2. Subsidiaries of the Company

For details of our subsidiaries, please refer to Note IX. 1.

XII. Related parties and related party transactions *(Continued)*

3. Joint ventures and associates of the Company

For details of joint ventures and associates, 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 Group
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture of the Group
Weifang Xingxing United Chemical Co., Ltd.	A joint venture of the Group
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Group
Anhui Time Source Corporation	An associate of the Group
Lide Technology Co., Ltd.	An associate of the Group
Chenming (Qingdao) Asset Management Co., Ltd.	An associate of the Group
Jiangxi Chenming Port Co., Ltd.	An associate of the Group
Guangdong Nanyue Bank Co., Ltd.	An associate of the Group

4. Other related parties

Name of other related parties	Relation
Shouguang Huixin Construction Materials Co., Ltd.	A company invested by the Directors and Senior Management of the Company
Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Chuanxuan, Chen Gang, Yuan Xikun, Li Xueqin, Li Zhenzhong, Li Weixian and Dong Lianming	Key management personnel

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	64,351,915.96	Not applicable		

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	9,729,537.52	8,668,152.00
Shouguang Huixin Construction Materials Co., Ltd.	Sales of cement, coal, oil, etc.	2,686,019.84	4,662,205.59

Related party transactions regarding purchase and sale of goods and provision and receipt of services.

XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(2) 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
Weifang Sime Darby West Port Co., Ltd.	120,000,000.00	2017-12-20	2027-12-20	No
Chenming (HK) Limited	188,083,150.00	2021-3-11	2022-2-25	No
Chenming (HK) Limited	127,514,000.00	2021-11-19	2022-11-4	No
Chenming (HK) Limited	15,301,680.00	2021-9-7	2022-3-7	No
Chenming (HK) Limited	36,458,460.25	2021-9-23	2022-2-7	No
Chenming (HK) Limited	16,781,992.96	2021-10-20	2022-4-19	No
Chenming (HK) Limited	16,636,933.03	2021-11-5	2022-5-4	No
Chenming (HK) Limited	36,023,512.48	2021-12-21	2022-3-28	No
Chenming (HK) Limited	17,534,917.35	2021-12-9	2022-6-7	No
Chenming (HK) Limited	18,592,685.83	2021-10-22	2022-1-18	No
Chenming (HK) Limited	21,080,464.59	2021-10-22	2022-1-18	No
Chenming (HK) Limited	17,174,824.96	2021-12-2	2022-2-28	No
Chenming (HK) Limited	63,757,000.00	2021-5-30	2022-5-30	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	30,000,000.00	2021-12-17	2022-10-16	No
Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2021-8-30	2022-8-25	No
Huanggang Chenming Pulp & Paper Co., Ltd.	300,000,000.00	2021-12-23	2022-12-22	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2021-4-20	2022-4-19	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2021-7-19	2022-7-18	No
Huanggang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2021-8-9	2022-8-8	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2021-7-28	2022-7-27	No
Huanggang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2021-5-12	2022-5-11	No
Jilin Chenming Paper Co., Ltd.	98,580,000.00	2021-7-21	2022-1-19	No
Jilin Chenming Paper Co., Ltd.	18,000,000.00	2021-3-31	2022-3-8	No
Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	2019-6-28	2022-6-27	No
Jiangxi Chenming Paper Co., Ltd.	300,000,000.00	2019-7-1	2022-6-27	No
Jiangxi Chenming Paper Co., Ltd.	85,000,000.00	2019-10-23	2022-6-27	No
Jiangxi Chenming Paper Co., Ltd.	114,750,000.00	2019-11-22	2022-6-27	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2021-2-25	2022-2-24	No
Jiangxi Chenming Paper Co., Ltd.	99,000,000.00	2021-3-31	2022-3-30	No
Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	2021-5-28	2022-5-27	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2021-12-16	2022-12-15	No
Jiangxi Chenming Paper Co., Ltd.	13,450,000.00	2021-12-29	2022-6-27	No
Jiangxi Chenming Paper Co., Ltd.	90,000,000.00	2021-3-19	2022-3-18	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2021-5-27	2022-5-23	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2021-7-15	2022-5-23	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2021-8-31	2022-8-24	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2021-9-1	2022-8-24	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2021-10-9	2022-9-28	No

XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(2) 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.	12,555,519.37	2021-10-28	2022-4-25	No
Jiangxi Chenming Paper Co., Ltd.	27,000,000.00	2021-12-31	2022-12-23	No
Jiangxi Chenming Paper Co., Ltd.	16,550,000.00	2021-9-15	2022-3-14	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2021-6-10	2022-5-23	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2021-6-15	2022-6-13	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2021-6-23	2022-6-17	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2021-6-24	2022-6-17	No
Jiangxi Chenming Paper Co., Ltd.	80,000,000.00	2021-6-18	2022-6-17	No
Jiangxi Chenming Paper Co., Ltd.	25,000,000.00	2021-12-24	2022-6-22	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2021-4-16	2022-4-15	No
Jiangxi Chenming Paper Co., Ltd.	49,500,000.00	2021-3-31	2022-3-30	No
Shandong Chenming Paper Sales Co., Ltd.	253,133,148.96	2021-8-16	2022-2-14	No
Shandong Chenming Paper Sales Co., Ltd.	420,452,396.28	2021-5-7	2022-4-29	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	20,000,000.00	2021-12-20	2022-6-21	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2021-6-21	2022-6-21	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2021-6-22	2022-5-30	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	80,000,000.00	2021-6-23	2022-5-30	No
Shouguang Meilun Paper Co., Ltd.	124,867,323.20	2021-7-7	2022-7-4	No
Shouguang Meilun Paper Co., Ltd.	123,595,694.49	2021-7-26	2022-1-23	No
Shouguang Meilun Paper Co., Ltd.	98,878,044.29	2021-7-8	2022-1-4	No
Shouguang Meilun Paper Co., Ltd.	98,678,874.12	2021-7-8	2022-1-4	No
Shouguang Meilun Paper Co., Ltd.	69,568,916.52	2021-7-16	2022-1-12	No
Shouguang Meilun Paper Co., Ltd.	285,000,000.00	2021-8-26	2022-2-23	No
Shouguang Meilun Paper Co., Ltd.	100,000,000.00	2021-10-12	2022-10-11	No
Shouguang Meilun Paper Co., Ltd.	30,000,000.00	2021-8-31	2022-8-31	No
Shouguang Meilun Paper Co., Ltd.	131,601,861.13	2021-12-8	2022-6-7	No
Shouguang Meilun Paper Co., Ltd.	163,129,855.27	2021-12-16	2022-6-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,500,000.00	2021-8-12	2022-8-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	140,000,000.00	2021-12-23	2023-12-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	631,194,300.00	2019-12-27	2022-12-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	123,000,000.00	2021-1-20	2022-1-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	44,629,900.00	2021-10-18	2022-9-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,333,820.00	2021-11-16	2022-11-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021-1-5	2024-1-4	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2021-8-17	2022-2-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2021-2-2	2022-2-1	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2021-2-19	2022-2-18	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,502,800.00	2021-3-26	2022-2-25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2021-9-26	2022-9-25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2021-3-2	2022-2-28	No

XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(2) 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.	99,000,000.00	2021-8-10	2022-2-7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2021-8-10	2022-2-7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2021-2-20	2022-2-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	84,600,000.00	2021-8-26	2022-2-22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2021-9-15	2022-9-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,600,000.00	2021-9-16	2022-3-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	45,267,470.00	2021-12-17	2022-12-1	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2020-10-16	2023-10-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	2021-11-12	2022-11-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2021-11-23	2022-11-22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	2020-11-11	2023-11-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021-12-15	2022-12-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	9,000,000.00	2021-12-20	2022-12-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2021-11-24	2022-11-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	2021-11-17	2022-11-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021-7-13	2022-7-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,000,000.00	2020-12-10	2023-12-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	81,200,000.00	2021-12-22	2022-7-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	2021-10-18	2022-10-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2021-11-16	2022-11-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2021-3-10	2022-3-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2021-4-8	2022-3-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021-4-19	2022-4-18	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	28,690,650.00	2021-4-30	2022-4-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	42,450,000.00	2021-5-1	2022-4-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2021-11-9	2022-5-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021-5-28	2022-5-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	29,965,790.00	2021-6-16	2022-5-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	162,449,860.33	2021-10-8	2022-1-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	26,000,000.00	2021-6-18	2022-5-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2021-6-18	2022-6-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2021-12-22	2022-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,400,000.00	2020-10-19	2022-10-13	No
Chenming (HK) Limited	95,635,500.00	2019-3-28	2022-1-7	No
Chenming (HK) Limited	93,085,220.00	2021-3-17	2022-3-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	120,000,000.00	2021-8-16	2022-8-15	No
Shouguang Meilun Paper Co., Ltd.	200,000,000.00	2020-12-4	2022-6-27	No
Shouguang Meilun Paper Co., Ltd.	364,000,000.00	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
Total	10,653,736,565.41			

XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party lending and borrowing

Unit: RMB

Related party	Borrowing amount	Commencement date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	452,500,000.00	2021-4-20	2021-12-31	Controlling shareholder
Guangdong Nanyue Bank Co., Ltd.	2,601,000,000.00	2021-1-11	2022-11-26	Associate
Lending				
Weifang Sime Darby West Port Co., Ltd.	68,000,000.00	2021-11-11	2024-12-12	Joint venture

(4) Remuneration of key management staff

Unit: RMB'0,000

Item	Amount during the period	Amount during the prior period
Remuneration of key management staff	3,051.59	3,067.34

(5) 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	3,051.59	3,067.34
Of which: (number of staff in each band of amount)		
RMB4.80-5.20 million	2	2
RMB3.60-4.00 million		
RMB3.20-3.60 million	1	1
RMB2.80-3.20 million	2	3
RMB2.40-2.80 million		
RMB2.00-2.40 million	1	
RMB1.60-2.00 million	2	1
RMB1.20-1.60 million		2
RMB0.80-1.20 million	3	
Below RMB0.80 million	13	14

XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Other related party transactions (Continued)

② Breakdown of remuneration of key management staff

Key management staff	Amount during the year (RMB'0,000)			Total (RMB'0,000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Yin Meiqun	20.00			20.00
Yang Biao	20.00			20.00
Sun Jianfei	20.00			20.00
Subtotal of independent non-executive Directors				
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	1.42	499.00
Hu Changqing	340.98	7.06	1.96	350.00
Li Xingchun	480.00			480.00
Li Feng	288.90	5.66	1.42	295.98
Subtotal of executive Directors	1,601.80	18.38	4.80	1,624.98
Li Kang	93.42	5.73	1.42	100.57
Pan Ailing	10.00			10.00
Zhang Hong	10.00			10.00
Qiu Lanju	53.25	5.76	0.97	59.98
Sang Ailing	20.71	3.53	0.63	24.87
Li Xinggui	2.43	0.76	0.22	3.41
Total of Supervisor	189.81	15.78	3.24	208.83
Subtotal of other Senior Management members	1,071.25	38.32	8.21	1,117.78
Total	2,962.86	72.48	16.25	3,051.59

XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Other related party transactions (Continued)

② Breakdown of remuneration of key management staff (Continued)

Key management staff	Amount during the prior year (RMB'0,000)			Total (RMB'0,000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Yin Meiqun	20.00			20.00
Yang Biao	20.00			20.00
Sun Jianfei	20.00			20.00
Subtotal of independent non-executive Directors				
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	492.22	5.43	1.35	499.00
Hu Changqing	294.73	3.06	2.21	300.00
Li Xingchun	480.00			480.00
Li Feng	328.82	5.43	1.35	335.60
Subtotal of executive Directors	1,595.77	13.92	4.91	1,614.60
Li Kang	57.32	5.43	1.35	64.10
Pan Ailing	10.00			10.00
Zhang Hong	10.00			10.00
Li Xinggui	15.58	3.84	0.88	20.30
Qiu Lanju	58.88	4.25	0.97	64.10
Total of Supervisor	151.78	13.52	3.20	168.50
Subtotal of other Senior Management members	1,142.84	32.88	8.52	1,184.24
Total	2,990.39	60.32	16.63	3,067.34

Note: Social welfare contribution includes basic pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance.

XII. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Other related party transactions (Continued)

- ③ The 5 highest paid individuals of the Company during the year comprised of 4 directors and 1 other Senior Management member of the Company. The remuneration band of the 1 Senior Management member was RMB2.80-3.20 million, with basic annual remuneration of RMB3.0227 million, social welfare contribution of RMB75,500, and payments of housing funds of RMB6,800.

A. Remuneration of the five highest paid individuals

Item	Amounts during the year (RMB'0,000)	Amounts during the prior year (RMB'0,000)
Basic annual remuneration	1,904.07	1,887.99
Provident fund	5.48	6.26
Social welfare contribution	25.93	19.35
Total	1,935.48	1,913.60

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	2	2
RMB3.20-3.60 million	1	1
RMB2.80-3.20 million	2	2
RMB2.40-2.80 million		
RMB2.00-2.40 million		
RMB1.60-2.00 million		
RMB1.20-1.60 million		

- ④ For the financial year ended 31 December 2021, 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.

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	Book balance	Bad debt
Accounts receivable	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.			2,000,017.96	87,306.27
Other receivables	Weifang Sime Darby West Port Co., Ltd.	80,667,961.32	7,423,984.26	68,476,127.98	19,038,071.06
Other receivables	Shouguang Meite Environmental Technology Co., Ltd.	22,740,159.32	21,348.76	16,307,200.00	70,132.59
Accounts receivable	Jiangxi Chenming Port Co., Ltd.	109,385.42		109,385.42	

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
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 non-current liabilities	Guangdong Nanyue Bank Co., Ltd.		400,000,000.00
Accounts payable	Weifang Sime Darby West Port Co., Ltd.	7,609,782.51	2,739,941.79
Other payables	Chenming (Qingdao) Asset Management Co., Ltd.	115,633.42	50.00
Receipts in advance	Chenming (Qingdao) Asset Management Co., Ltd.	49,539.63	
Contract liabilities	Anhui Time Source Corporation	1,570.10	1,570.10
Other payables	Lide Technology Co., Ltd.	508,619.46	

(3) Deposits with related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Bank deposit	Guangdong Nanyue Bank Co., Ltd.	42,791.18	655,073,601.28
Other monetary funds	Guangdong Nanyue Bank Co., Ltd.	1,048,000,000.00	724,668,000.00

(4) Loans from related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	2,201,000,000.00	1,316,664,600.00

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	0.00
Total exercised equity instruments of the Company during the period	0.00
Total invalid equity instruments of the Company during the period	2,830,000.00
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

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). 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. 2.83 million shares lapsed during the year due to the resignation of some Senior Management members.

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	85,043,797.12
Total amount of equity-settled share-based payment recognised in the current period	52,556,871.89

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	181,254,971.61	236,106,766.83

2. Contingency

(1) Significant contingency as at the balance sheet date

(1) Contingent liabilities arising from pending litigation and its financial impacts

In October 2005, the Company and Hong Kong ArjowigginsHKK2Limited (“HKK2”) jointly established ArjoWiggins Chenming Specialty Paper Co., Ltd. in Shouguang, Shandong Province, which was engaged in the production of special paper, decoration paper and draft paper. However, such company experienced poor management due to financial crisis. Hence, such company was forced to dissolve in October 2008.

XIV. Undertaking and contingency (*Continued*)

2. Contingency (*Continued*)

(1) Significant contingency as at the balance sheet date (*Continued*)

(1) Contingent liabilities arising from pending litigation and its financial impacts (*Continued*)

In October 2012, HKK2 submitted for arbitration application to Hong Kong International Arbitration Centre, Hong Kong Special Administration of PRC, on the ground of default of the joint venture agreement by the Company. In November 2015, Hong Kong International Arbitration Centre announced arbitration result, stating that the Company should compensate HKK2 with economic loss of RMB167 million, arbitration fee of HK\$3.30 million and legal fee of USD3.54 million, together with interest thereon calculated at 8% per annum. In October 2016, the Company received a statutory demand, stating that if the Company fails to perform the arbitration results within 21 days, the liquidation application on H shares of the Company will be submitted. Subsequently, HKK2 submitted a H shares liquidation application to the arbitration centre.

In November 2016, the Company submitted an application to the Court of First Instance of the High Court of the HKSAR and received an injunction, stating that “the applicant is prohibited from applying for liquidation on the Company”.

In February 2017, HKK2 submitted an appeal to the court. In June 2017, the court dismissed the injunction received by the Company. In the same month, the Company received the liquidation application submitted by the defendant to the High Court of Hong Kong, which alleged that the Company should compensate the defendant with economic loss of RMB167 million, legal fee of USD3.54 million and arbitration fee of HK\$3.30 million, together with interest thereon due to failure in compliance of the arbitration results.

In 2017, the Company made provision of RMB325,259,082.28 for the pending litigation.

Relevant appeal hearing of the Company on 12 July 2017 was completed in the Hong Kong High Court Appeal Court on the morning of 11 May 2018. At the end of the hearing, the court had instructed that another sentence be adjudicated.

On 5 August 2020, the Court of Appeal of the High Court of Hong Kong made a judgment and rejected the Company’s appeal request.

On 21 January 2022, Hong Kong Court of Final Appeal accepted the Company’s appeal request. The Company is seeking ways to re-appeal to protect the legal rights and interests of the Company and investors. However, as of 31 December 2021, the estimated loss was still uncertain. Therefore, the provision must still be listed in the balance sheet.

- (2) On 14 September 2021, Beijing Guodianfutong Science and Development Co., Ltd. (“Futong Science”), being the plaintiff, was involved in a construction agreement dispute with Huanggang Chenming Pulp and Paper Co., Ltd. (“Huanggang Chenming”) and Shandong Chenming Paper Holdings Limited (“Shandong Chenming”), being the defendants. The case was filed in Huanggang Intermediate People’s Court Huanggang People’s Court and the first judgement ruled that Huanggang Chenming need to pay construction fee of RMB54,715,691.40, along with overdue interests, to Futong Science.

Huanggang Chenming has accrued arrears in accounts payable. Meanwhile, appeal against judgment was submitted by Huanggang Chenming. As of 30 March 2022, the second instance is still in progress.

As of 31 December 2021, the Company had no other contingencies that should be disclosed.

XV. Post-balance sheet event

As of 30 March 2022, the Group has no other events 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 property rental;
- (4) Other segments, which is responsible for the above segments otherwise.

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.

(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	3,174,975.00	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	23,322.27	29,350.97
Operating profit/(loss)	330,978.21	11,821.37	468.23	-8,164.59	106,957.32	228,145.90
Total assets	9,069,982.56	2,039,544.30	794,932.41	969,230.15	4,589,543.96	8,284,145.46
Total liabilities	6,622,082.54	791,449.37	411,845.72	297,958.83	2,093,873.91	6,029,462.55

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	Hotel and property	Others	Offset	Total
Revenue	2,920,631.44	129,212.57	19,619.77	101,144.05	96,956.03	3,073,651.80
Of which: revenue from external transactions	2,902,152.31	95,273.89	13,863.94	62,361.66	0.00	3,073,651.80
Revenue from inter-segment transactions	18,479.13	33,938.68	5,755.83	38,782.39	96,956.03	0.00
Of which: Revenue from principal activities	2,859,475.79	128,228.67	15,074.89	97,954.64	96,008.18	3,004,725.81
Operating costs	2,247,053.49	79,811.95	17,761.55	87,410.55	67,478.12	2,364,559.42
Of which: Costs of principal activities	2,184,452.82	79,811.95	17,115.86	86,891.58	63,601.33	2,304,670.88
Operating expenses	28,400.67	332.36	1,987.97	1,227.10	2,123.46	29,824.64
Operating profit/(loss)	389,249.19	29,513.92	-24,353.54	5,372.98	241,310.40	158,472.15
Total assets	8,512,412.61	2,016,849.03	752,335.96	725,475.06	2,849,526.88	9,157,545.78
Total liabilities	6,110,415.47	1,258,701.14	465,545.60	281,988.12	1,539,130.92	6,577,519.41

2. Government grants

(1) Government subsidies included in deferred income will be subsequently measured using the gross method

Unit: RMB

Item of subsidies	Type	2020.12.31	New subsidy amount for the period	Amount transferred to profit or loss for the period	Other movements	2021.12.31	Presentable items transferred to profit or loss for the period	Asset-related/revenue-related
Project Funding for National Key Technology Research and Development Program	Financial appropriation	1,287,825.00		164,700.00		1,123,125.00	Other income	Asset-related government grants
Infrastructure and environmental protection engineering transformation project	Financial appropriation	233,097,511.46	12,227,345.28	12,835,606.22	13,216,025.00	219,273,225.52	Other income	Asset-related government grants
Huanggang pulp-forestry-paper project	Financial appropriation	479,669,171.13	41,377,787.52	24,200,216.24		496,846,742.41	Other income	Asset-related government grants
Zhanjiang forestry-pulp-paper project	Financial appropriation	54,901,230.11		4,094,632.92		50,806,597.19	Other income	Asset-related government grants
Financial subsidies for technical transformation project	Financial appropriation	155,686,141.08		11,535,807.72		144,150,333.36	Other income	Asset-related government grants
Funding for environmental protection	Financial appropriation	677,639,567.56		50,592,141.88		627,047,425.68	Other income	Asset-related government grants
Others	Financial appropriation	35,715,190.17		1,280,955.08		34,434,235.09	Other income	Asset-related government grants
Total		1,637,996,636.51	53,605,132.80	104,704,060.06	13,216,025.00	1,573,681,684.25		

Explanation: ① Other movements of the infrastructure and environmental construction in 2021 represent recovery of the government subsidies relating to the land by the government after the government resumed the land.

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/revenue-related
Project Funding for National Key Technology Research and Development Program	Financial appropriation	164,700.00	164,700.00	Other income	Asset-related
Environmental Monitoring and Controlling Capability Improvement Subsidies	Financial appropriation	20,000.00		Non-operating income	Revenue-related
Provincial manufacturing individual championship subsidy	Financial appropriation	800,000.00		Non-operating income	Revenue-related
Sewage treatment and water conservation transformation project	Financial appropriation	1,192,682.88	12,835,606.22	Other income	Asset-related
Zhanjiang forestry-pulp-paper project	Financial appropriation	12,145,971.39	4,094,632.92	Other income	Asset-related
Enterprise reform and development subsidies	Financial appropriation	107,578,937.51	74,297,897.20	Other income and non-operating income	Revenue-related
Financial subsidies for technical transformation project	Financial appropriation	101,984,107.72	38,603,317.72	Other income and non-operating income	Asset-related and revenue related
Funding for environmental protection	Financial appropriation	72,505,645.88	50,794,311.52	Other income	Asset-related and revenue related
Huanggang pulp-forestry-paper project	Financial appropriation	7,543,321.53	24,200,216.24	Other income	Asset-related
Research and development grants	Financial appropriation	564,000.00		Other income	Revenue-related
Enterprise technology innovation subsidies	Financial appropriation	100,000.00		Other income	Revenue-related
Immediate VAT refund	Financial appropriation	1,846,849.03	768,780.56	Other income	Revenue-related
Subsidies for foreign trade projects	Financial appropriation	211,200.00		Other income	Revenue-related
Leading talent subsidy	Financial appropriation	400,000.00	660,000.00	Other income	Revenue-related
Equipment technology subsidies	Financial appropriation	115,400.00		Other income	Revenue-related
Investment promotion subsidy	Financial appropriation	6,306,806.25	22,921,843.36	Other income	Revenue-related
Job stabilisation subsidy	Financial appropriation	4,856,411.21	1,626,174.63	Other income and non-operating income	Revenue-related
Social security subsidies	Financial appropriation	486,607.82	345,163.82	Other income	Revenue-related
R&D subsidy	Financial appropriation	2,469,900.00	2,476,800.00	Other income	Revenue-related
Financing subsidy	Financial appropriation	130,000.00	576,300.00	Other income	Revenue-related
Tax return	Financial appropriation	71,675,835.40	8,149,743.76	Other income	Revenue-related
Government awards	Financial appropriation		6,821,907.00	Non-operating income	Revenue-related
Financial discount	Financial appropriation	3,753,300.60		Finance expenses	Revenue-related
Pandemic subsidy	Financial appropriation	1,495,150.00	200,000.00	Other income and non-operating income	Revenue-related
Afforestation subsidy	Financial appropriation	6,316,370.50	1,404,769.00	Other income	Revenue-related
Others	Financial appropriation	540,115,190.13	12,144,833.64	Other income and non-operating income	Asset-related and revenue related
Total		944,778,387.85	263,086,997.59		

(3) The condition of the refund of government grants

Unit: RMB

Item	Amount	Reason
Infrastructure and environmental protection engineering	13,216,025.00	The government repossessed the land
Total	13,216,025.00	

XVII. Major Item Notes of the Parent Company's Financial Statements

1. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Type	Book balance		Closing balance			Book balance		Opening balance			Carrying value
	Amount	Percentage	Bad debt provision Amount	Provision		Amount	Percentage	Bad debt provision Amount	Provision		
				proportion	Carrying value				proportion	Carrying value	
Accounts receivable assessed individually for bad debt provision											
Accounts receivable assessed collectively for bad debt provision	146,213,282.74	100%	4,612,037.23	3.15%	141,601,245.51	698,032,192.53	100.00%	3,195,631.29	0.46%	694,836,561.24	
Of which:											
Accounts receivable from related party customers	126,108,166.75	86.25%			126,108,166.75	692,218,139.26	99.17%			692,218,139.26	
Accounts receivable from non-related party customers	20,105,115.99	13.75%	4,612,037.23	22.94%	15,493,078.76	5,814,053.27	0.83%	3,195,631.29	54.96%	2,618,421.98	
Total	146,213,282.74	100.00%	4,612,037.23	3.15%	141,601,245.51	698,032,192.53	100.00%	3,195,631.29	0.46%	694,836,561.24	

Accounts receivable assessed collectively for bad debt provision: Accounts receivable from related party customers

Unit: RMB

Ageing	Book balance	Closing balance	
		Bad debt provision	Provision proportion
Within 1 year	126,108,166.75		
Total	126,108,166.75		-

XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

1. 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	17,102,294.82	1,609,216.06	9.41%
1-2 years			
2-3 years			
Over 3 years	3,002,821.17	3,002,821.17	100.00%
Total	20,105,115.99	4,612,037.23	22.94%

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	143,210,461.57	695,029,371.36
1-2 years		
2-3 years		
Over 3 years	3,002,821.17	3,002,821.17
Subtotal	146,213,282.74	698,032,192.53

(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	3,195,631.29	4,522,553.53	3,106,147.59			4,612,037.23
Total	3,195,631.29	4,522,553.53	3,106,147.59			4,612,037.23

XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

1. Accounts receivable (Continued)

(3) Top five other 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 RMB146,133,061.57, which accounted for 99.95% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB4,531,816.06.

Unit: RMB

Name	Book balance	Closing balance	
		Bad debt provision	Provision percentage
Customer 1	111,108,166.75		
Customer 2	15,602,294.82	109,216.06	0.70%
Customer 3	10,000,000.00		
Customer 4	5,000,000.00		
Customer 5	4,422,600.00	4,422,600.00	100%
Total	146,133,061.57	4,531,816.06	3.10%

2. Bill receivable

Unit: RMB

Bill type	Book balance	Closing balance		Book value	Book balance	Opening balance		Book value
		Bad debt provision	Book value			Bad debt provision	Book value	
Bank acceptance bills	3,091,000,000.00		3,091,000,000.00	553,050,000.00			553,050,000.00	
Commercial acceptance bills	534,270,000.00		534,270,000.00	917,670,000.00			917,670,000.00	
Total	3,625,270,000.00		3,625,270,000.00	1,470,720,000.00			1,470,720,000.00	

(1) Bills receivable pledged by the Company at the end of the period

Unit: RMB

Type	Pledged amount at the end of the period
Bank acceptance bills	3,778,108.58
Total	3,778,108.58

(2) Bills receivable endorsed or discounted at the end of the period but not yet due

Unit: RMB

Type	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance bills		3,091,000,000.00
Commercial bills acceptance		534,270,000.00
Total		3,625,270,000.00

XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

3. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividend receivables	126,325,018.50	200,000,000.00
Other receivables	8,773,854,244.04	10,437,425,503.02
Total	8,900,179,262.54	10,637,425,503.02

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Shandong Chenming Group Finance Co., Ltd.		200,000,000.00
Jiangxi Chenming Paper Co., Ltd.	72,896,218.50	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	53,428,800.00	
Total	126,325,018.50	200,000,000.00

(2) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	8,849,264,265.13	10,482,693,848.05
Guarantee deposit	240,000.00	7,421,297.60
Insurance premium		291,708.31
Reserve and borrowings	6,103,279.46	6,971,976.60
Others	11,961,652.43	95,539,178.66
Total	8,867,569,197.02	10,592,918,009.22

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

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					
Dividends receivable					
Bad debt provision assessed collectively	8,815,142,549.27	0.47%	41,288,305.23	8,773,854,244.04	
Amount due from government agencies	15,879,555.87	100.00%	15,879,555.87		
Amount due from related parties	8,751,092,442.65	0.08%	7,423,984.27	8,743,668,458.38	
Other receivables	48,170,550.75	37.34%	17,984,765.09	30,185,785.66	
Total	8,815,142,549.27	0.47%	41,288,305.23	8,773,854,244.04	

As at the end of the period, closing bad debt provision at phase 3:

Unit: RMB

Category	Book balance	Lifetime ECL rate (%)	Bad debt provision	Carrying amount	Reason
Shouguang Paper Mill No.2	1,500,000.00	100.00%	1,500,000.00		Overdue for a prolonged period and unlikely to be recovered
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	1,290,901.12	100.00%	1,290,901.12		Overdue for a prolonged period and unlikely to be recovered
65 entities including Qingdao Jieneng Qilunji Group Co., Ltd.	49,635,746.63	100.00%	49,635,746.63		Overdue for a prolonged period and unlikely to be recovered
Total	52,426,647.75	100.00%	52,426,647.75		

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	7,121,706,162.10	10,315,335,710.07
1-2 years	1,468,300,735.77	190,920,767.76
2-3 years	190,900,767.76	40,248,068.73
Over 3 years	86,661,531.39	46,413,462.66
Total	8,867,569,197.02	10,592,918,009.22

3) 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	Written off	Others	
Bad debt provision	155,492,506.20	16,240,877.66	78,018,430.88			93,714,952.98
Total	155,492,506.20	16,240,877.66	78,018,430.88			93,714,952.98

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 RMB5,259,826,262.78, which accounted for 59.32% 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	Percentage to closing balance of other receivables	Closing balance of bad debt provision
Customer 1	Borrowings	2,183,400,000.00	Within 1 year	24.62%	0.00
Customer 2	Borrowings	1,197,553,000.00	Within 1 year, 1-2 years and 2-3 years	13.50%	0.00
Customer 3	Borrowings	697,940,000.00	Within 1 year	7.87%	0.00
Customer 4	Open credit	597,670,802.71	Within 1 year	6.74%	0.00
Customer 5	Borrowings	583,262,460.07	Within 1 year and 1-2 years	6.58%	0.00
Total	-	5,259,826,262.78	-	59.32%	0.00

XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

4. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance		Opening balance		
		Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	18,480,556,896.52		18,480,556,896.52	21,845,592,649.90		21,845,592,649.90
Investment in joint ventures and associates	331,467,464.62	5,994,545.96	325,472,918.66	352,509,931.98	5,994,545.96	346,515,386.02
Total	18,812,024,361.14	5,994,545.96	18,806,029,815.18	22,198,102,581.88	5,994,545.96	22,192,108,035.92

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (Book value)	Change for the period				Closing balance (Book value)	Closing balance of impairment provision
		Additional contribution	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.	2,300,000,000.00	2,000,000.00				2,302,000,000.00	
Huanggang Chenming Arboriculture Development Co., Ltd.	70,000,000.00					70,000,000.00	
Jinan Chenming Paper Sales Co., Ltd.	100,000,000.00					100,000,000.00	
Jiangxi Chenming Paper Co., Ltd.	822,867,646.40		822,867,646.40				
Shandong Chenming Power Supply Holdings Co., Ltd.	157,810,117.43		157,810,117.43				
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.	5,082,500,000.00	27,500,000.00				5,110,000,000.00	
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	

XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

4. Long-term equity investments (Continued)

(1) Investment in subsidiaries (Continued)

Investee	Opening balance (Book value)	Change for the period				Closing balance (Book value)	Closing balance of impairment provision
		Additional contribution	Withdrawn contribution	Impairment provision	Others		
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	
Shanghai Chenming Industry Co., Ltd.	3,000,000,000.00		3,000,000,000.00				
Chenming (HK) Limited	118,067,989.55		118,067,989.55				
Chenming Paper United States Co., Ltd.	6,407,800.00					6,407,800.00	
Shandong Coated Paper Sales Co. Ltd.	20,000,000.00		20,000,000.00				
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	162,790,000.00	469,210,000.00				632,000,000.00	
Weifang Chendu Equity Investment Partnership (Limited Partnership)		255,000,000.00				255,000,000.00	
Total	21,845,592,649.90	753,710,000.00	4,118,745,753.38			18,480,556,896.52	

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	Change for the period						Closing balance (book value)	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. Associates											
Zhuohai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,401,659.62			-433,763.31			15,000,000.00				36,967,896.31
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	198,549,926.27			-1,252,440.68							197,297,485.59
Chenming (Qingdao) Asset Management Co., Ltd.	8,674,551.18			145,116.96			1,886,000.00				6,933,668.14
Xuchang Chenming Paper Co., Ltd.											5,994,545.96
Subtotal	259,626,137.07			-1,541,087.03			16,886,000.00				241,199,050.04
II. Joint ventures											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	4,945,742.03			2,957,127.84			1,000,000.00				6,902,869.87
Weifang Sime Darby West Port Co., Ltd.	81,943,506.92			-4,572,508.17							77,370,998.75
Subtotal	86,889,248.95			-1,615,380.33			1,000,000.00				84,273,868.62
Total	346,515,386.02			-3,156,467.36			17,886,000.00				325,472,918.66

5. Accounts payable

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year	929,767,031.76	691,849,228.91
1-2 years	135,879,646.09	48,012,965.29
2-3 years	15,621,599.15	39,906,363.15
Over 3 years	48,407,679.85	32,342,933.88
Subtotal	1,129,675,956.85	812,111,491.23

XVII. Major Item Notes of the Parent Company's Financial Statements (Continued)

6. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	7,457,655,880.74	6,282,245,216.89	6,881,284,099.00	5,528,211,060.91
Other activities	1,303,835,529.34	1,075,724,228.66	1,628,789,694.88	1,370,949,760.15
Total	8,761,491,410.08	7,357,969,445.55	8,510,073,793.88	6,899,160,821.06

7. 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	2,552,823,636.61	604,220,123.68
Income from long-term equity investments accounted for using the equity method	-3,156,467.36	-6,412,281.95
Investment gain on disposal of long-term equity investments	379,035,504.15	-249,714,762.64
Investment gain on derecognition of financial assets	-13,074,419.85	
Investment gain on debt restructuring	472,886.50	
Investment gain on holding other non-current financial assets	16,205,276.87	
Total	2,932,306,416.92	348,093,079.09

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	162,163,302.50	
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	261,974,874.53	
Profit or loss from debt restructuring	24,593,731.72	
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, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	-54,802,461.29	
Gain or loss arising from fair value change of consumable biological assets subsequently measured at fair value	-41,899.05	
Other gain or loss items within the definition of extraordinary gain or loss	-15,461,704.28	
Total extraordinary gains or losses	378,425,844.13	
Less: Effect of income tax of extraordinary gains or losses	60,135,956.19	
Net extraordinary gains or losses	318,289,887.94	
Less: Net effect of extraordinary gains or losses attributable to minority interest (after tax)	-3,346,683.65	
Extraordinary gains or losses attributable to ordinary shareholders of the Company	321,636,571.59	

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

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	9.60%	0.56	0.56
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	7.72%	0.45	0.45

Data specification: 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, the dividends on Preference Shares of RMB323,390,968.66 declared to be distributed and the cash dividends of RMB14,202,450.00 attributable to the shareholders of restricted shares expected to be unlocked in the future among the dividends distributed during the reporting period are deducted.

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 2022