



SHANDONG CHENMING PAPER HOLDINGS LIMITED

Annual Report 2023

March 2024

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.

Forward-looking statements such as future plans and operating targets contained in this annual report do not represent earnings forecasts of the Company nor constitute substantive commitments to investors by the Company. Investors and relevant persons shall maintain a sufficient risk awareness hereto and understand the differences among plans, forecasts and commitments.

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.....	12
V	Directors’ Report	42
VI	Corporate Governance.....	52
VII	Environment and Social Responsibility	95
VIII	Material Matters	104
IX	Changes in Share Capital and Shareholders	139
X	Preference Shares.....	150
XI	Bonds.....	151
XII	Financial Report	152

I Important Notice, Table of Contents and Definitions

Documents Available for Inspection

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

I Important Notice, Table of Contents and Definitions

Definitions

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

I Important Notice, Table of Contents and Definitions

Item		Definition
Chenming Investment	means	Shandong Chenming Investment Limited
Chenming Leasing	means	Shandong Chenming Financial Leasing Co., Ltd. and its subsidiaries
Chenrong Fund	means	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Jiangxi Port	means	Jiangxi Chenming Port Co., Ltd.
Chongqing Trust	means	Chongqing International Trust Co., Ltd.
Chenming Asset Management	means	Chenming (Qingdao) Asset Management Co., Ltd.
Corporate Bonds	means	18 Chenming Bond 01
Perpetual Bonds	means	17 Lu Chenming MTN001
the reporting period or the year	means	The period from 1 January 2023 to 31 December 2023
the beginning of the year or the period	means	1 January 2023
the end of the year or the period	means	31 December 2023
the prior year	means	The period from 1 January 2022 to 31 December 2022

II Company Profile and Key Financial Indicators

I. Company profile

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

II. Contact persons and contact methods

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

III. Information disclosure and places for inspection

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

IV. Change in registration

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

II Company Profile and Key Financial Indicators

V. Other relevant information

CPAs engaged by the Company

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

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

	2023	2022	Increase/decrease for the year as compared to the prior year	2021
Revenue (RMB)	26,608,570,228.20	32,004,367,320.91	-16.86%	33,019,812,294.14
Net profit attributable to shareholders of the Company (RMB)	-1,281,289,649.82	189,290,120.82	-776.89%	2,065,513,108.71
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	-1,942,120,184.70	-361,459,377.16	-437.30%	1,743,876,537.12
Net cash flows from operating activities (RMB)	4,389,949,308.82	3,449,824,242.37	27.25%	8,581,888,192.64
Basic earnings per share (RMB per share)	-0.45	0.03	-1,600.00%	0.56
Diluted earnings per share (RMB per share)	-0.45	0.03	-1,600.00%	0.56
Rate of return on weighted average net assets	-7.65%	0.55%	Decreased by 8.2 percentage points	9.56%

	As at the end of 2023	As at the end of 2022	Increase/decrease as at the end of the year compared to the end of the prior year	As at the end of 2021
Total assets (RMB)	79,487,052,953.58	84,301,017,409.62	-5.71%	82,869,661,681.08
Net assets attributable to shareholders of the Company (RMB)	16,692,175,196.53	19,084,565,494.92	-12.54%	19,117,985,306.48

II Company Profile and Key Financial Indicators

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 RMB47,430,410.96 during the reporting period is deducted.

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

Yes No

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

Yes No

Item	2023	2022	Remark
Revenue (RMB)	26,608,570,228.20	32,004,367,320.91	Revenue from sales of materials of RMB900,376,053.88 and other revenue of RMB85,840,912.08.
Deduction to revenue (RMB)	986,216,965.96	1,030,770,460.26	
Revenue after deduction (RMB)	25,622,353,262.24	30,973,596,860.65	

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.

II Company Profile and Key Financial Indicators

VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	6,155,915,692.16	6,409,047,089.15	7,156,893,450.74	6,886,713,996.15
Net profit attributable to shareholders of the Company	-275,409,967.37	-412,670,196.73	-80,213,259.42	-512,996,226.30
Net profit after extraordinary gains or losses attributable to shareholders of the Company	-327,893,189.14	-483,946,028.35	-439,773,872.12	-690,507,095.09
Net cash flows from operating activities	916,852,965.06	866,234,782.53	1,858,270,213.08	748,591,348.15

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

Yes No

IX. Five-year financial summary under paragraph 19 of appendix D2 of the Hong Kong Listing Rules

Unit: RMB'0,000

	For the year ended 31 December				
	2023	2022	2021	2020	2019 年
Revenue	2,660,857	3,200,437	3,301,981	3,073,652	3,039,543
Profit before tax	-170,970	18,227	230,618	217,227	204,848
Tax	-38,306	-13,509	21,650	26,606	29,518
Profit for the current period attributable to shareholders of the Company	-128,129	18,929	206,551	171,203	165,657
Minority interests	-4,535	12,807	2,417	19,418	9,673
Basic earnings per share (RMB/share)	-0.45	0.03	0.56	0.36	0.33
Rate of return on weighted average net assets (%)	-7.65	0.55%	9.56%	5.84%	5.57%

Unit: RMB'0,000

	For the year ended 31 December				
	2023	2022	2021	2020	2019
Total assets	7,948,705	8,430,102	8,286,966	9,157,546	9,795,891
Total liabilities	5,838,920	6,057,276	6,029,463	6,577,519	7,161,914
Minority interests	440,568	464,369	345,705	152,329	117,003
Equity attributable to shareholders of the Company	1,669,218	1,908,457	1,911,799	2,427,697	2,516,974
Net current assets (liabilities)	-2,121,186	-1,917,930	-1,766,446	-1,516,398	-774,633
Total assets less current liabilities	2,970,931	3,240,227	3,233,471	4,052,922	4,526,014

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount for 2023	Amount for 2022	Amount for 2021	Description
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	431,805,592.54	161,509,859.17	162,163,302.50	
Government grants (except for the government grants closely related to the normal operation of the Company, granted in accordance with an established standard and having an ongoing effect on the Company's profit or loss in compliance with national policies and regulations) accounted for in profit or loss for the current period	117,211,489.25	314,934,315.62	261,974,874.53	
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 and financial liabilities held by a non-financial company, as well as gain or loss arising from disposal of its financial assets and financial liabilities	58,579,398.48	-35,178,162.53	-54,802,461.29	
Reversal of provision for impairment of receivables individually tested for impairment	99,483,459.63	275,585,463.86		
Profit or loss from debt restructuring	55,297,346.06	967,464.91	24,593,731.72	
Profit or loss from changes in the fair value of consumable biological assets subsequently measured at fair value	6,775,808.38	9,924,233.72	-41,899.05	
Other non-operating income and expenses other than the above items	-11,642,079.10	-37,391,130.09	-15,461,704.28	
Less: Effect of income tax	89,176,973.22	137,333,913.66	60,135,956.19	
Effect of minority interests (after tax)	7,503,507.14	2,268,633.02	-3,346,683.65	
Total	660,830,534.88	550,749,497.98	321,636,571.59	—

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

Item	Amount involved (RMB)	Reason
Other income	52,766,790.28	Government grants related to assets and closely related to the normal operation of the Company as extraordinary gain or loss due to the inclusion of their subsequent amortisation in other income and their ongoing effect on the Company's profit or loss

III Chairman's Report

Dear shareholders,

The 2023 financial year has passed. On behalf of the Board of Directors, I would like to report to you what we have done, what we have encountered and what we look forward to in the future.

Tortuous road but improving momentum

In 2023, the global economic recovery was bumpy, and the pandemic, geopolitics and hyperinflation had aggravated the market uncertainty. Under the conflict, the major economies showed clear differentiated trends, and economic development faced many challenges. The world is an organic whole. Every internal and external policy adjustment, the changes of the regional situation and the inflation fluctuation affect the companies as market micro-subjects. Each company as a market micro-subject is constantly enduring and trying to adapt to the changing market environment.

In 2023, papermaking enterprises suffered from both the high upstream cost squeeze and the weak downstream demand. Facing the unprecedented complex situation, the Company further consolidated its self-pulping supply advantage, retained existing customers while developed new customers, improved its product system and optimised its product structure, and explored overseas markets and expanded sales coverage. Although the Company incurred a loss, it had a solid foundation and its development momentum was improving.

Confident about forging ahead

In recent years, the Company has followed the policy and market trend, eliminated a number of backward production capacities, built multiple new large-scale pulp and paper production lines, and gradually established a circular development model. Relying on the market and targeting the demand, the Company has taken initial shape in the “pulp-paper integration” layout linking northern and southern China. The Company has divested and reduced non-principal activities, and focused on the pulp and paper industry. For example, the relocation of Wuhan Chenming has been completed. The Company has transferred its equity interest in Goldtrust Futures, and reduced the financial leasing business size by more than RMB20 billion compared with the peak level. The Company has introduced high quality strategic investors such as CCB Investment, Chuanfa Investment, BOCOM Investment and Xiamen International Trade to optimise its capital structure. In addition, with a foreign trade recovery, the Company has reached strategic cooperation with major clients from Korea, Sweden and other countries to further expand overseas markets.

Innovation is the source of corporate development, and we never stop innovation. In 2023, the Company applied for 33 patents and obtained 42 authorised patents, which laid the foundation for its long-term development.

Keeping working for a promising future

Despite many uncertainties, China's economy has not changed its upside trend, and its belief to make the real economy bigger and stronger never changes.

I believe that as long as we keep working and make progress, we will have a promising road ahead. In the future, Chenming will further focus on its major operation of pulp and paper making, put greater efforts in the disposal of assets in non-major operations, enhance asset utilisation efficiency, consolidate its supply chain advantages, research and develop new products, develop new customers, scientifically manage operating costs, and continue to strengthen the profitability of the Company.

On behalf of the Board of the Company, I would like to hereby express my sincere respect to the Company's partners, suppliers, customers and all shareholders, and my heartfelt thanks to the departments at all levels and all employees of the Company!

Chen Hongguo
Chairman

28 March 2024

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.

As an important basic raw material industry, the paper industry plays an important role in various fields of the national economy. After nearly 30 years of accelerated progress, China's paper industry has made remarkable results and achieved landmark development, but is also facing new challenges in its new journey.

During the reporting period, the overall profitability of the paper industry improved but its momentum was slightly weaker due to the sluggish downstream demand, raw material price fluctuation, increased supply and other factors. According to the data of the Ministry of Industry and Information Technology, from January to December 2023, revenue of papermaking and paper product enterprises above designated size was RMB1,392.6 billion, down 2.4% year on year; their operating costs were RMB1,222.8 billion, down 3.1% year on year; and their total profit was RMB50.84 billion, up 4.4% year on year.

On the supply side, the domestic and overseas supply growth had a great effect on paper price fluctuation. Domestically, new paper production capacity in China had been drastically high in the past two years. Overseas, the import volume of machine-made paper and paperboard increased year on year as a result of the "zero tariff" policy. The domestic and overseas factors boosted the machine-made paper supply. According to the data of the National Bureau of Statistics, the national output of machine-made paper and paperboard was 144,055,300 tonnes from January to December, 2023, which exceeded the 140 million tonnes mark for the first time and reached a record high.

During the reporting period, the prices of cultural paper and white cardboard prices were mixed. In terms of price, the white cardboard price rebounded slightly in October and November, and showed an overall fluctuating downward trend. The cultural paper price had a "V"-shaped trend that fluctuated downward in the first half of the year and floated upward in the second half.

In terms of cost, the paper raw material prices and energy prices had fluctuated downward since 2023. However, due to a higher price base and the cost transmission delay, the paper enterprise production cost was still at a high level in 2023. Coupled with the weak product demand, enterprises faced a greater pressure to realise profit.

In the short term, the paper product prices still face some upside resistance under the sufficient supply. However, the fierce competition will prompt leading enterprises to exploit the scale and cost advantages, and will facilitate the liquidation of small and medium-sized enterprises to improve the industry operational efficiency, thus further enhancing the industry concentration. In the long run, China's paper industry concentration is still at a low level. The data shows that the CR10 in China's paper industry remained at about 45% in 2022, compared with about 90% for the CR10 in the United States, which means much room for improvement.

IV Management Discussion and Analysis

II. Principal activity of the Company during the Reporting Period

The Company is a large modern conglomerate principally engaged in pulp production and paper making and committed itself to implementing a pulp and paper integration strategy. At present, the Company has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places, with annual pulp and paper production capacity of 11 million tonnes, including pulp production capacity of 4.3 million tonnes. It is the first domestic paper making enterprise that achieves a balance between pulp production and paper making capacity in general. During the reporting period, the Company realised revenue of RMB26,609 million. The machine-made paper business is the major source of revenue of the Company. There was no significant change in the principal activity and the business model of the Company.

1. Products

As a leading player in the domestic paper making industry in China, the Company attaches great importance to technology research and development and brand benefits. The Company has research institutions such as a national enterprise technology centre, a post-doctoral working station, a collaborative innovation center for cleaner production and refinery of light industry bio-based products, the Shandong Pulp and Paper Making Engineering Lab and the Guangdong Pulp and Paper Production Technology Research Centre. It has introduced internationally advanced pulp and paper production technologies and equipment for the production of machine-made paper products covering more than 200 types in seven series, including culture paper, coated paper, white cardboard, copy paper, industrial paper, special paper, and household paper. The Company owns “CHENMING CLOUDY MIRROR”, “CHENMING CLOUDLY LION”, “CHENMING SNOW SHARK”, “CHENMING EAGLE”, “CHENMING GONGHAO”, “XINGZHILIAN” and other famous brands, with each major product ranking among the highest in terms of market share in China. It is the enterprise with the largest variety of products and the most complete products in the domestic paper making industry.

During the reporting period, the 70g and 80g CLOUDY MIRROR, and CLOUDY LEOPARD electrostatic copy paper of the Company were successfully selected as the 2023 “Made in Shandong • Qilu Premium Products”. The “embossed premium napkin” and the “high grade coated paper surface enhancement technology development” were awarded 2023 Shandong Province Technology Innovation Awards. As one of the brands which were selected as the first 223 “Shandong’s Good Product” brands, the Company was awarded the “Shandong’s Good Product” logo authorisation. Customers recognised the product quality of the Company. The Company built up strategic cooperation relationship with famous companies such as Daehan Paper, CellMark AB in Sweden, and Deli Group.

IV Management Discussion and Analysis

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

1. Products (Continued)

Category	Major brands and types	Major manufacturing companies	Range of application
Culture paper series	<ol style="list-style-type: none"> "BIYUNTIAN", "CLOUDY MIRROR", "CLOUDY LEOPARD" and "YUNJIN" all-wood pulp offset paper and electrostatic base paper "CLOUDY LION" and "CLOUDY CRANE" original white offset paper "CLOUDY PINE" and "GREEN PINE" light weight paper Blueprint paper, colour offset paper, pure texture paper, non-fluorescent offset paper, PE offset paper Beige and high white book paper Light weight coated paper 	<p>Shouguang Headquarters Shouguang Meilun Zhanjiang Chenming</p> <p>Jiangxi Chenming Jilin Chenming</p>	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 	<p>Shouguang Headquarters Shouguang Meilun</p>	<p>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;</p> <p>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.</p>
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 	<p>Shouguang Headquarters Jiangxi Chenming Zhanjiang Chenming</p>	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	<p>Shouguang Headquarters Shouguang Meilun Zhanjiang Chenming</p>	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	<p>Shouguang Headquarters Jiangxi Chenming Zhanjiang Chenming</p>	<p>Anti-stick base paper is mainly used for producing the paper base of stripping paper or anti-sticking base paper;</p> <p>Cast coated base paper is suitable for producing adhesive paper or playcard compound paper after coating.</p>
Special paper series	Thermal paper and glassine paper	Shouguang Art Paper	High-grade adhesive backing paper for electronics, medicine, food, washing supplies, supermarket labels, double-sided tapes, etc.
Household paper series	Toilet paper, facial tissue, pocket tissue, napkin, paper towels and "XINGZHILIAN"	Shouguang Meilun	Daily toilet supplies; used in restaurants and other catering industries, and used in public toilets in hotels, guesthouses, and office buildings, and also suitable for home and other environment.

IV Management Discussion and Analysis

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

2. 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 culture paper series, coated paper series, white cardboard series, electrostatic paper series, special paper series and household paper series according to product line. Each product company has its administrative district. A regional general manager is responsible for his/her administrative district, under which branch companies are set up. The chief representatives of the branch companies have full authority to deal with branch business.

IV Management Discussion and Analysis

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

2. Operation model *(Continued)*

(3) Marketing model *(Continued)*

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

(4) R&D Mode

The Company is market-oriented, and innovation is its driving force. It highly values technological R&D, and has formed a variety of R&D modes such as independent R&D, technology introduction, and industry university research cooperation. At present, the Company has a number of domestically leading innovative R&D platforms, including a national enterprise technology centre, a post-doctoral working station, a collaborative innovation center for cleaner production and refinery of light industry bio-based products, 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.

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 creating competitive advantages in industry chain featured with pulp and paper integration. The core competitiveness of the Company did not undergo major changes during the reporting period. The details of the core competitiveness of the Company are as follows:

1. Advantages of pulp and paper integration

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

2. Scale advantages

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

IV Management Discussion and Analysis

III. Analysis of Core Competitiveness (Continued)

3. Product advantages

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

4. Industry layout advantages

Closely centring on the pulp and paper integration strategy, the Company has integrated resources and established its production bases in the core target market to promote the coordinated development of all regions. Currently, the Company adopts the market-oriented approach and has production bases in Shandong, Guangdong, 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.

5. Advantages in technical equipment

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

6. Advantages in research and innovation

The Company has scientific research institutions including a national enterprise technology centre, a post-doctoral working station, and a collaborative innovation center for cleaner production and refinery of light industry bio-based products. 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 and Huanggang Chenming are high and new technology enterprises. As at the end of the reporting period, the Company had obtained over 400 national patents, including 41 invention patents, 7 national new products, 16 scientific and technological progress awards above the provincial level, 5 national scientific and technological projects and 75 provincial technological innovation projects. The Company took the lead in obtaining the ISO9001 quality system certification, the ISO14001 environmental protection system certification and the FSC-COC international forest system certification among domestic peers.

7. Team management advantages

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

IV Management Discussion and Analysis

III. Analysis of Core Competitiveness (Continued)

8. Advantages in environmental governance capacity

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

IV. Analysis of principal operations

1. Overview

During the reporting period, the sales volume of the Company’s machine-made paper decreased year on year due to the weak downstream demand in the paper industry. At the same time, the prices of machine-made paper, especially that of white cardboard, fell sharply year on year due to the concentration of new production capacity. The prices of raw materials such as wood chips, raw coal and chemicals were still running at a high level, which seriously squeezed the Company’s profitability. In 2023, the Company completed machine-made paper output of 4.78 million tonnes and sales volume of 4.74 million tonnes, realised revenue of RMB26,609 million, and net profit attributable to owners of the Company of RMB-1,281 million. As a typical pro-cyclical industry, the paper industry has a positive correlation with the macroeconomic trend. At present, China economy is in a good development trend. With the continuous national macroeconomic policy efforts, the paper industry downstream demand will gradually pick up, the short-term supply and demand imbalance will be alleviated, and the industry prosperity is expected to improve. Meanwhile, the Company will actively improve quality and efficiency by adjusting product structure, expanding exports, improving production efficiency, controlling production costs and disposing of non-principal activities, so as to further improve the Company’s profitability.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost

(1) Components of revenue

Unit: RMB

	2023		2022		Increase/decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	26,608,570,228.20	100%	32,004,367,320.91	100%	-16.86%
By industry					
Machine-made paper	23,892,883,773.10	89.79%	28,398,850,766.51	88.73%	-15.87%
Chemical pulp	551,886,319.48	2.07%	1,043,284,411.27	3.26%	-47.10%
Electricity and steam	223,450,300.54	0.84%	288,447,315.51	0.90%	-22.53%
Construction materials	222,788,884.78	0.84%	265,496,913.56	0.83%	-16.09%
Hotel and property rentals	212,364,573.64	0.80%	238,020,274.82	0.74%	-10.78%
Mould processing	204,029,538.47	0.77%	308,596,084.40	0.96%	-33.88%
Chemicals	128,495,469.03	0.48%	169,232,476.00	0.53%	-24.07%
Others	1,172,671,369.16	4.41%	1,292,439,078.84	4.04%	-9.27%
By product					
Duplex press paper	7,702,426,452.75	28.95%	8,449,759,248.92	26.40%	-8.84%
White cardboard	5,477,558,929.56	20.59%	9,061,724,789.41	28.31%	-39.55%
Electrostatic paper	4,005,559,008.36	15.05%	4,077,351,284.38	12.74%	-1.76%
Coated paper	3,925,663,395.23	14.75%	4,149,820,827.47	12.97%	-5.40%
Anti-sticking raw paper	1,127,626,969.18	4.24%	973,542,096.46	3.04%	15.83%
Thermal paper	553,666,757.69	2.08%	582,687,847.45	1.82%	-4.98%
Other machine-made paper	1,100,382,260.33	4.14%	1,103,964,672.42	3.45%	-0.32%
Chemical pulp	551,886,319.48	2.07%	1,043,284,411.27	3.26%	-47.10%
Electricity and steam	223,450,300.54	0.84%	288,447,315.51	0.90%	-22.53%
Construction materials	222,788,884.78	0.84%	265,496,913.56	0.83%	-16.09%
Hotel and property rentals	212,364,573.64	0.80%	238,020,274.82	0.74%	-10.78%
Mould processing	204,029,538.47	0.77%	308,596,084.40	0.96%	-33.88%
Chemicals	128,495,469.03	0.48%	169,232,476.00	0.53%	-24.07%
Others	1,172,671,369.16	4.41%	1,292,439,078.84	4.04%	-9.27%
By geographical segment					
Mainland China	20,082,348,032.36	75.47%	23,860,251,349.91	74.55%	-15.83%
Other countries and regions	6,526,222,195.84	24.53%	8,144,115,971.00	25.45%	-19.87%
By sales mode					
Distribution	18,126,061,624.64	68.12%	20,430,260,632.51	63.84%	-11.28%
Direct sales	8,482,508,603.56	31.88%	11,574,106,688.40	36.16%	-26.71%

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	23,892,883,773.10	22,038,839,089.61	7.76%	-15.87%	-9.85%	-6.15%
By product						
Duplex press paper	7,702,426,452.75	6,929,011,543.24	10.04%	-8.84%	-6.46%	-2.29%
White cardboard	5,477,558,929.56	5,673,086,405.12	-3.57%	-39.55%	-27.52%	-17.20%
Electrostatic paper	4,005,559,008.36	3,410,527,141.51	14.86%	-1.76%	-2.48%	0.63%
Coated paper	3,925,663,395.23	3,389,639,629.49	13.65%	-5.40%	-1.97%	-3.03%
By geographical segment						
Mainland China	20,082,348,032.36	18,322,497,941.41	8.76%	-15.83%	-9.65%	-6.24%
Other countries and regions	6,526,222,195.84	6,122,988,358.52	6.18%	-19.87%	-13.68%	-6.72%
By sales mode						
Distribution	18,126,061,624.64	16,782,843,186.05	7.41%	-11.28%	-4.69%	-6.40%
Direct sales	8,482,508,603.56	7,662,643,113.88	9.67%	-26.71%	-21.53%	-5.96%

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	2023	2022	Increase/ decrease
Machine-made paper	Sales	'0,000 tonnes	474	515	-7.96%
	Production output	'0,000 tonnes	478	502	-4.79%
	Inventories	'0,000 tonnes	36	32	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	2023		2022		Increase/ decrease
		Amount	% of operating costs	Amount	% of operating costs	
Machine-made paper	Raw materials	12,570,191,697.45	57.04%	13,880,562,601.16	56.78%	-9.44%
	Energy and power	3,035,894,899.73	13.78%	3,551,871,417.54	14.53%	-14.53%
	Chemicals	2,971,091,082.48	13.48%	3,219,278,883.07	13.17%	-7.71%
	Depreciation	974,858,417.49	4.42%	1,015,882,589.52	4.16%	-4.04%
	Freight	879,576,446.70	3.99%	991,532,365.83	4.06%	-11.29%
	Labour costs	273,486,536.00	1.24%	300,586,979.17	1.23%	-9.02%
	Other production costs	1,333,740,009.76	6.05%	1,488,310,143.03	6.09%	-10.39%
	Subtotal	22,038,839,089.61	100.00%	24,448,024,979.32	100.00%	-9.85%
Chemical pulp	Raw materials	326,385,778.01	59.41%	483,207,371.49	59.18%	-32.45%
	Energy and power	78,827,192.35	14.35%	123,647,038.01	15.14%	-36.25%
	Chemicals	77,144,557.36	14.04%	112,068,893.16	13.72%	-31.16%
	Accumulated depreciation	25,312,257.02	4.61%	35,364,701.70	4.33%	-28.43%
	Labour costs	7,101,094.24	1.29%	10,463,973.85	1.28%	-32.14%
	Other production costs	34,630,638.99	6.30%	51,810,755.29	6.34%	-33.16%
	Subtotal	549,401,517.97	100.00%	816,562,733.50	100.00%	-32.72%
Electricity and heat	Raw materials	161,991,982.35	76.38%	214,274,012.48	79.34%	-24.40%
	Depreciation	16,818,943.23	7.93%	26,624,446.17	9.86%	-36.83%
	Labour costs	7,859,289.01	3.71%	8,596,817.64	3.18%	-8.58%
	Energy and power	4,983,704.94	2.35%	6,245,631.23	2.31%	-20.20%
	Chemicals	387,301.28	0.18%	470,492.88	0.17%	-17.68%
	Other production costs	20,048,349.41	9.45%	13,862,506.91	5.13%	44.62%
	Subtotal	212,089,570.22	100.00%	270,073,907.31	100.00%	-21.47%
Construction materials	Raw materials	161,288,633.91	74.50%	158,431,654.76	69.34%	1.80%
	Energy and power	20,858,840.97	9.64%	22,399,396.93	9.80%	-6.88%
	Freight	5,718,100.50	2.64%	16,755,150.18	7.33%	-65.87%
	Labour costs	7,205,420.78	3.33%	8,353,153.12	3.66%	-13.74%
	Depreciation	5,941,206.01	2.74%	6,753,081.28	2.96%	-12.02%
	Other production costs	15,469,301.87	7.15%	15,800,412.81	6.92%	-2.10%
	Subtotal	216,481,504.04	100.00%	228,492,849.08	100.00%	-5.26%

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost (Continued)

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

Yes No

During the year, 1 subsidiary was newly established, namely Shouguang Kunhe Trading Co., Ltd. 1 subsidiary was deregistered, namely Beijing Chenming Financial Leasing Co., Ltd. 2 subsidiaries were disposed of partial equity interest, namely Wuhan Chenming Hanyang Paper Holdings Co., Ltd. and Wuhan Chenming Qianneng Electric Power Co., Ltd. 1 subsidiary was merged and acquired, namely Jiangxi Chenming Port Co., Ltd.

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

Applicable Not applicable

(8) Sales to major customers and major suppliers

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	5,966,203,769.14
Total sales to top 5 customers as a percentage of the total sales for the year	22.42%
Sales to top 5 customers who are related parties as a percentage of the total sales for the year	0.00%

Information on top 5 customers of the Company

No.	Name of customer	Sales (RMB)	As a percentage of the total sales for the year (%)
1	Customer A	2,246,619,932.87	8.44%
2	Customer B	1,223,279,810.02	4.60%
3	Customer C	1,013,493,101.24	3.81%
4	Customer D	854,121,755.87	3.21%
5	Customer E	628,689,169.14	2.36%
Total	—	5,966,203,769.14	22.42%

Other explanation of the major customers

Applicable Not applicable

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost (Continued)

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

Major suppliers of the Company

Total purchases from top 5 suppliers (RMB)	5,966,203,769.14
Total purchases from top 5 suppliers as a percentage of the total purchases for the year	22.33%
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	2,489,770,843.69	10.18%
2	Supplier B	1,137,232,840.66	4.65%
3	Supplier C	655,558,321.92	2.68%
4	Supplier D	609,513,026.78	2.49%
5	Supplier E	566,015,190.95	2.32%
Total	—	5,458,090,224.00	22.33%

Other explanation of the major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

	2023	2022	Increase/ decrease	Reasons for material changes
Selling and distribution expenses	230,999,637.43	242,181,274.09	-4.62%	Wages or salaries of sales personnel decreased year on year during the reporting period.
General and administrative expenses	690,319,782.01	750,546,703.34	-8.02%	Reversal of expenses recognised in prior period as the remaining restricted shares unable to meet the unlocking conditions during the reporting period.
Finance expenses	2,009,666,708.14	2,146,556,149.06	-6.38%	Interest expenses of the Company decreased year on year during the reporting period.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

4. Research and development expenditure

Applicable Not applicable

Name of major R&D project	Project purpose	Project progress	Objectives to be Achieved	Expected impact on the future development of the Company
Technological development of white cardboard for handbags	Enhancing product functionality or improving performance	Trial production stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Non-fluorescent white cardboard technology development	Enhancing product functionality or improving performance	Small testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Thermal paper colour sensitivity key technology development	Enhancing product functionality or improving performance	Pilot testing stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
High bonding coating formulation technology research and development	Enhancing product functionality or improving performance	Trial production stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Culture paper wet part filling new technology development	Enhancing product functionality or improving performance	Trial production stage	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Research on low-temperature cooking technology for sulfate pulping	Reducing energy consumption or improving energy efficiency	Pilot testing stage	To become domestically leading	Improving product quality, lowering production costs and improving the Company's economic benefits.
Research on deep delignification technology for broadleaf wood sulfate pulping	Saving raw materials	Pilot testing stage	To become domestically leading	Improving product quality, lowering production costs and improving the Company's economic benefits.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

4. Research and development expenditure (Continued)

R&D personnel of the Company

	2023	2022	Percentage of change
R&D headcount	1,502	1,370	9.64%
Ratio of R&D personnel	14.16%	12.62%	1.54%
Academic background of R&D personnel			
Bachelor's degree	154	135	14.07%
Master's degree	3	3	0.00%
Age composition of R&D personnel			
Under 30	319	305	4.59%
30~40 years old	853	717	18.97%

R&D expenditure of the Company

	2023	2022	Percentage of change
R&D expenditure (RMB)	1,164,419,698.13	1,290,281,540.10	-9.75%
R&D expenditure to revenue	4.38%	4.03%	0.35%
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	2023	2022	Increase/ decrease
Subtotal of cash inflows from operating activities	29,165,118,764.19	36,218,528,896.13	-19.47%
Subtotal of cash outflows from operating activities	24,775,169,455.37	32,768,704,653.76	-24.39%
Net cash flows from operating activities	4,389,949,308.82	3,449,824,242.37	27.25%
Subtotal of cash inflows from investing activities	377,601,853.11	271,463,678.75	39.10%
Subtotal of cash outflows from investing activities	319,310,876.89	2,716,434,567.72	-88.25%
Net cash flows from investing activities	58,290,976.22	-2,444,970,888.97	102.38%
Subtotal of cash inflows from financing activities	35,277,274,955.07	37,596,224,354.35	-6.17%
Subtotal of cash outflows from financing activities	41,061,017,053.99	39,577,284,434.80	3.75%
Net cash flows from financing activities	-5,783,742,098.92	-1,981,060,080.45	-191.95%
Net increase in cash and cash equivalents	-1,395,226,406.90	-1,009,455,697.51	-38.22%

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

Applicable Not applicable

- (1) Net cash flows from investment activities increased by 102.38% as compared to the same period of the prior year mainly due to the increase in cash outflows from investing activities as a result of the participation in the establishment of joint ventures by Jiangxi Chenming, a subsidiary, during the prior period for the purpose of revitalising the assets of the financial lease business, and consolidating and optimising the resource allocation.
- (2) Net cash flows from financing activities decreased by 191.95% as compared to the corresponding period of the prior year mainly due to the payment of due debts to reduce debt size during the reporting period.

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

Applicable Not applicable

IV Management Discussion and Analysis

V. Analysis of non-principal operations

Applicable Not applicable

Unit: RMB

	Amount	As a percentage of total profit	Reason	Is it sustainable?
Other income	337,324,331.43	-19.73%	Receipt of government grants related to daily business activities	Including RMB101 million which is the annual amortisation amount of government grants received in prior periods, which is sustainable.
Investment income	505,067,035.78	-29.54%	Recognition of external investment income and dividends, as well as income from equity disposal and derecognition of financial assets during the reporting period	No
Gain or loss arising from the change in fair value	-25,555,304.50	1.49%	Fluctuations of fair values of the shares of China Bohai Bank as well as forestry assets and other non-current financial assets	No
Credit impairment loss	-319,956,249.39	18.71%	Bad debt provisions for receivables	No

VI. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of 2023		As at the beginning of 2023		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	12,124,832,831.30	15.25%	14,000,434,986.08	16.61%	-1.36%	Mainly due to a decrease in bank deposits as at the end of the reporting period.
Accounts receivables	2,528,507,059.83	3.18%	3,212,260,445.96	3.81%	-0.63%	Mainly due to a decrease in receivables from customers as at the end of the reporting period.
Other receivables	2,224,904,557.88	2.80%	1,717,445,443.44	2.04%	0.76%	Mainly due to partial equity disposal of Wuhan Chenming and an increase in equity receivables during the reporting period.
Inventories	4,958,178,000.36	6.24%	6,821,916,159.95	8.09%	-1.85%	Mainly due to the transfer of development costs to fixed assets from inventories as at the end of the reporting period.

IV Management Discussion and Analysis

VI. Analysis of assets and liabilities (Continued)

1. Material changes of asset items (Continued)

	As at the end of 2023		As at the beginning of 2023		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Construction in progress	859,617,965.16	1.08%	558,866,880.36	0.66%	0.42%	Mainly due to an increase in the investment in the Zhanjiang Chenming special paper project during the reporting period.
Short-term borrowings	33,475,479,021.62	42.11%	36,385,048,295.02	43.16%	-1.05%	Mainly due to the decrease in short-term debts as at the end of the reporting period.
Bills payable	4,618,986,463.95	5.81%	3,128,595,835.04	3.71%	2.10%	Mainly due to the increase in proportion of payment for goods using bills during the reporting period.
Non-current liabilities due within one year	3,631,937,677.82	4.57%	4,673,505,241.86	5.54%	-0.97%	Mainly due to the repayment of long-term borrowings due within one year and bonds payable by the Company during the reporting period.
Long-term borrowings	4,681,014,489.64	5.89%	3,982,236,251.08	4.72%	1.17%	Mainly due to an increase of the long-term borrowings of the Company during the reporting period.
Long-term payables	2,541,095,217.66	3.20%	3,160,771,126.31	3.75%	-0.55%	Mainly due to the repayment of some equipment finance leases by the Company 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	Amount increased/ acquired during the period	Amount recovered/ disposed of during the period	Other changes	Closing balance
Financial assets								
1. Held-for-trading financial assets								
(excluding derivative financial assets)	74,708,444.88	-28,740,129.26	-149,716,501.53				325,976.09	46,294,291.71
2. Other non-current financial assets	786,750,761.62	-3,590,983.62	59,269,016.38			1,598,737.43		781,561,040.57
3. Consumable biological assets measured at fair value	1,496,607,818.84	6,775,808.38	36,760,805.03		26,595,279.22	46,000,816.83		1,483,978,089.61
Total	2,358,067,025.34	-25,555,304.50	-53,686,680.12		26,595,279.22	47,599,554.26	325,976.09	2,311,833,421.89

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

Yes No

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

Unit: RMB

Item	Book balance	As at the end of the period			Book balance	As at the beginning of the period		
		Book value	Type of restriction	Restriction		Book value	Type of restriction	Restriction
Monetary funds	11,360,599,088.69	11,360,599,088.69	Pledged	As deposits for bank acceptance bills, letter of credit, letter of guarantee, loans, deposit reserves and interest receivable	11,840,974,836.57	11,840,974,836.57	Pledged	As deposits for bank acceptance bills, letter of credit, letter of guarantee, loans, deposit reserves and interest receivable
Fixed assets	9,411,111,670.62	6,303,095,864.20	Charged	As collateral for bank borrowings and long-term payables	15,651,057,538.84	10,063,641,052.69	Charged	As collateral for bank borrowings and long-term payables
Investment properties	5,941,741,699.60	5,004,776,921.76	Charged	As collateral for bank borrowings	5,650,386,492.30	4,895,514,630.65	Charged	As collateral for bank borrowings
Intangible assets	865,105,844.99	665,784,045.39	Charged	As collateral for bank borrowings and long-term payables	1,367,006,629.88	1,033,897,418.27	Charged	As collateral for bank borrowings and long-term payables
Accounts receivable	403,349,324.55	398,710,807.32	Pledged	As collateral for borrowings	100,563,153.66	100,000,000.00	Pledged	As collateral for borrowings
Accounts receivable financing	90,551,168.01	90,551,168.01	Pledged	As collateral for obtaining letters of credit	8,497,931.30	8,497,931.30	Pledged	As collateral for obtaining letters of credit
Total	28,072,458,796.46	23,823,517,895.37			34,618,486,582.55	27,942,525,869.48		

IV Management Discussion and Analysis

VII. Analysis of investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
582,400,000.00	3,362,620,040.00	-82.68%

2. Material equity investments acquired 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
Shouguang Kunhe Trading Co., Ltd.	Sales of pulp	Newly established	10,000,000.00	100%	Self-owned funds	Subsidiary	Long-term	Trading	Completed	N/A	-56,105.04	No	N/A	N/A
Jiangxi Chenming Port Co., Ltd.	Cargo handling and warehouse operations	Acquisition	5,400,000.00	100%	Self-owned funds	Subsidiary	Long-term	Freight transport	Completed	N/A	-1,234,456.79	No	N/A	N/A
Shouguang Chenming Import and Export Trade Co., Ltd.	Sale of paper products and paper production materials	Capital increase	417,000,000.00	100%	Self-owned funds	Subsidiary	Long-term	Trading	Completed	N/A	10,452,698.14	No	N/A	N/A
Hainan Chenming Technology Co., Ltd.	Sale of paper pulp, wood and chemical products etc.	Capital injection	150,000,000.00	100%	Self-owned funds	Subsidiary	Long-term	Trading	Completed	N/A	1,227,492.53	No	N/A	N/A
Total	-	-	582,400,000.00	-	-	-	-	-	-	-	10,389,628.84	-	-	-

IV Management Discussion and Analysis

VII. Analysis of investments (Continued)

3. Material non-equity investments during the reporting period

Applicable Not applicable

4. Financial asset investment

(1) Security investments

Applicable Not applicable

Unit: RMB

Type of security	Stock code	Abbreviation of stock name	Initial investment cost	Accounting measurement model	Book value at the beginning of the reporting period	Profit or loss from changes in fair value in the current period	Accumulated changes in fair value included in equity	Acquisition amount during the reporting period	Disposal amount during the reporting period	Profit or loss during the reporting period	Book value as at the end of the reporting period	Classification in account	Source of fund
Domestic and foreign shares	09668	China Bohai Bank	195,684,817.15	Measured at fair value	74,708,444.88	-28,740,129.26	-149,716,501.53	0	0	-28,414,153.17	46,294,291.71	Held-for-trading financial assets	Self-owned funds
Total			195,684,817.15	—	74,708,444.88	-28,740,129.26	-149,716,501.53	0.00	0.00	-28,414,153.17	46,294,291.71	—	—

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) N/A

(2) Derivative 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

During the reporting period, the Company did not dispose of material assets.

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 equity title fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure Date	Disclosure index
Wuhan Yuanfeng Yinhu Industrial Investment Partnership (Limited Partnership)	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	30 September 2023	48,000.00	-950.61	Partial equity disposal of Wuhan Chenming, a subsidiary, did not affect the normal operation of the Company, and the cash realised from the equity disposal also replenished liquidity.	-27.07%	Assessed value	No	N/A	Yes	Yes	9 September 2023	http://www.cninfo.com.cn

IX. Analysis of major subsidiaries and investees

Applicable Not applicable

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

Unit: RMB

Name of company	Type of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of duplex press paper, electrostatic paper and white cardboard etc.	6,913,572,423.00	25,679,469,765.94	8,608,929,563.69	11,000,808,231.98	-671,077,694.93	-541,888,245.61
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper, culture paper, household paper and chemical pulp	4,801,045,519.00	15,630,774,179.12	8,460,429,693.18	9,084,559,413.98	139,886,154.62	153,008,366.72
Huanggang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of chemical pulp	3,350,000,000.00	8,450,563,071.62	3,298,440,947.12	4,946,196,163.77	-327,507,366.27	-260,740,821.94

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
Shouguang Kunhe Trading Co., Ltd.	Newly established	Net profit decreased by RMB56,100.
Jiangxi Chenming Port Co., Ltd.	Acquisition	Net profit decreased by RMB1,234,500.
Beijing Chenming Financial Leasing Co., Ltd.	deregistered	Net profit decreased by RMB3,900.
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Loss of control due to partial equity transfer	Net profit increased by RMB359 million.
Wuhan Chenming Qianneng Electric Power Co., Ltd.		

Particulars of major subsidiaries and investees

1. During the reporting period, the price of white paper board declined significantly due to an increase in supply and insufficient demand, and profit margins of Zhanjiang Chenming were squeezed.
2. The demand for cultural paper and coated paper, the major products of Shouguang Meilun, was rigid, and they are less affected by the macroeconomic environment during the reporting period.
3. The price of chemical pulp, the major product of Huanggang Chenming, declined due to an increase in supply, and Huanggang Chenming's profitability decreased year on year.

The Company enjoys the advantages of pulp and paper integration, large scale, comprehensive products, reasonable industrial layout, and advanced technical equipment. With the gradual rise in the selling prices of machine-made paper and the continuous optimisation of the cost side, the Company's profitability will be effectively restored.

IV Management Discussion and Analysis

X. Structured entities controlled by the Company

Applicable Not applicable

XI. Outlook on the future development of the Company

(i) Overview and trend of the industry

Paper industry is a typical pro-cyclical industry. During the reporting period, the paper product price faced greater downward pressure due to the production capacity expansion, weak demand and other factors. Coupled with the raw material prices and energy cost increase year on year, the paper enterprises' profit margin faced squeezing. When we step into 2024, the wood pulp price has fell, the paper product demand has recovered, and corporate profitability has shown obvious signs of gradual improvement. Due to the strong expectation of new capacity release, the major raw material prices and energy prices still have downward pressure, which may further ease the cost pressure, and the industry is expected to continue its recovery.

From an industry structure perspective, China's paper industry is expected to increase its concentration ratio. Driven by market competition and environmental protection policies, the mid- to low-end production capacity in the industry will accelerate to be phased out, and the paper industry market concentration has steadily increased, but there is still a considerable gap compared with developed countries. According to public data, the CR10 in China's paper industry remained at about 45% in 2022, compared with about 90% for the CR10 in the United States, indicating much room for industry concentration improvement.

According to the national "double circulation" strategy and the goal of China's GDP per capita heading for the level of a medium-level developed country by 2035, China's paper market demand in the future will still grow greatly, indicating market potential. The industry has continuously improved the resource utilisation rate, and transformed towards the use of clean, renewable, high energy density and low emission resources. It is inevitable for large companies to enhance their comprehensive competitiveness through the whole industrial chain development. The leading player have the advantages such as industrial chain, scale, and production management efficiency, and will undoubtedly become long-term beneficiaries under the trend of sustainable and healthy development.

IV Management Discussion and Analysis

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

(ii) Development strategy of the Company

In the future, Chenming Group will adhere to the general tone of green, low-carbon, circular and sustainable development, take the Made in China 2025 Plan as the guide, and scientific development as the theme, quality and efficiency improvement as its focus, and the promotion of the integration of manufacturing and financial services, and the deep integration of industrialisation and intelligence as the main line. The Group will further switch its mode and adjust its structure to comprehensively improve its quality, efficiency, management level, technological content and happiness index, and fully enhance its brand image, and advance to become stronger, better and bigger, striving to achieve over RMB10 billion in profit before tax during the 14th Five-Year Plan period, and build a world-class enterprise group with the highest growth momentum.

Transformation and upgrade strategy: The Group will comprehensively optimise the industrial structure and regional layout, focus on developing pulp and paper industries, and build a coordinated and efficient industrial system.

Green development strategy: The Group will adhere to the “forestry, pulp and paper integration” management idea, rely on technological progress, advanced equipment and stringent management to ensure clean production, and develop circular economy. The Group will build a resource-saving and environment-friendly enterprise benchmark, seek development while protecting the environment, improve environmental protection level in scientific development, and achieve both economic and environmental benefits.

Internationalisation strategy: The Group will take root in China, expand into the world, rely on China’s “Belt and Road” initiative, accelerate the “going out” pace, deepen international exchanges and cooperation, and gradually expand into overseas markets.

Operational excellence strategy: With the management policy of “Construct a learning atmosphere and standardise everything, resolutely implement to seek practical results”, the Group will continuously strengthen the whole process management of production and operation, marketing, financial costs and project construction, effectively integrate system resources, and continuously improve the management level and profitability.

Talent strengthening strategy: The Group will improve the talent training, introduction, use and encouragement mechanism, and actively cultivate a high-end, compound, innovative and international talent team to support the Company to become a world-class enterprise with the highest growth momentum;

Harmonious development strategy: The Group will comprehensively strengthen the corporate culture construction, wholeheartedly care for employees, actively fulfil corporate social responsibilities, enhance the ability to create comprehensive economic, social and environmental values, shape the image, and strive to build a harmonious enterprise.

IV Management Discussion and Analysis

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

(iii) Operation plans for 2024

The year 2024 is a crucial year to achieve the 14th Five-Year Plan targets and tasks. In this year, opportunities and challenges coexist. The National Development and Reform Commission proposes to pay more attention to expanding effective demand, developing and expanding the real economy, and improving the macro policy effectiveness. Expanding domestic demand is the “highlight” of China’s economic development in 2024. The paper industry is closely related to the national economy development. As a leading player in the industry, the Company will adhere to the general tone of striving for progress while maintaining stability in the new year, pay close attention to the national macro policy orientation, take advantage of the domestic economic recovery to expand sales channels, seize market opportunities, adjust product structure, improve production efficiency, control production costs, optimise financing structure, fully tap potential and increase efficiency, and improve the profitability of the Company.

1. Strengthen sales management and seize the market to increase profits

In 2024, the Company will seize market opportunities, strengthen channel construction, increase direct customer development, reinforce overseas contract management, closely maintain customer relationships, and further expand domestic and overseas markets. The Company will take market orientation, actively look for profit growth points, closely connect with production departments to develop and produce high-grade and high value-added new products, and ensure the promotion and increase of key products, especially liquid package cardboard, food package board and coated cardboard. The Company will optimise business processes, increase risk control points, conduct quarterly sorting out processes, and strengthen risk management and control. In addition, the Company will ensure team building, strictly implement the sales leadership contracting mechanism, and timely optimise the assessment and incentive scheme according to market changes and key work requirements to improve work enthusiasm and build an efficient sales team.

2. Improve financial management and take multiple measures to reduce liability scale

In December 2023, the Central Working Economy Conference proposed to “continue to implement a proactive fiscal policy and a prudent monetary policy” and “implement a structural tax reduction and fee reduction policy, and focus on supporting scientific and technological innovation and manufacturing development”. In 2024, the Company will take this as an opportunity to adjust its long-term and short-term financing structure, determine the best financing scheme, broaden financing channels, further deepen cooperation with large banks, and implement project loans, equipment financing, debt-to-equity swap financing and equity financing. The Company will pay close attention to the interpretation of national macroeconomic policies, make reasonable tax planning and implement policy dividends, and continue to reduce the financial leasing business size, actively dispose of idle and inefficient assets, revitalise existing assets and increase cash inflows.

IV Management Discussion and Analysis

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

(iii) Operation plans for 2024 (*Continued*)

3. Optimise procurement management to stabilise supply and realise cost reduction and efficiency growth

In 2024, the Company will further broaden its raw material procurement channels, deepen the long-term cooperation in wood pulp, wood chips, coal and other bulk materials, improve the cooperation mode with suppliers, focus on developing suppliers with solid financial strength, innovate payment methods and reduce financial costs. The Company will continue to learn new technologies and processes, introduce highly cost-effective raw materials, and optimise the raw material structure. In addition, the Company will reasonably control the inventories, arrange the procurement plans according to the monthly production scheduling plan, and reduce capital appropriation; and strengthen the management of electricity purchase and use management on behalf of subsidiaries, and reduce the cost of electricity purchase and use.

4. Focus on safety and technological transformation to escort production and ensure quality and efficiency

In 2024, the Company will continue to adhere to the concept of safety first and prevention first, increase the publicity and education of safety and environmentally friendly production, and standardise outsourcing units' safety management. The Company will strengthen the safety supervision of dangerous operation processes, continue to strictly implement the mechanical control management of equipment, optimise the early warning mode of mechanical control of equipment, investigate equipment hidden dangers every ten days, reduce equipment accidents and ensure the safe and stable production. The Company will fully promote technological innovation, adjust product structure according to market conditions, focus on developing and producing high value-added products, and improve product quality. In addition, the Company will continue to proceed with the Zhanjiang Chenming Special Paper Project with annual production capacity of 180,000 tonnes, and the upgrade of some pulp and paper production lines in Shouguang, Zhanjiang and Jiangxi.

(iv) Future capital requirements and source of funds

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

While focusing on the development of its main business of pulp and paper making, improving its operating performance and increasing its operating cash flow, the Company will expand its financing channels and optimise financing structure through well planned long and short-term bank loans, 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.

IV Management Discussion and Analysis

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

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

1. Macroeconomic and policy risk *(Continued)*

In response to the above risks, the Company will pay close attention to the national industrial policy, and focus on its principal activities of pulp production and papermaking. The Company will strive to its innovation-driven strategy, comprehensively optimise industrial structure and regional layout, and establish coordinated and efficient industry system, to respond to the risks arising from industrial policy adjustments. At the same time, the Company will continuously improve its lean management, broaden financing channels, control costs, and optimise its capital structure, thus improving its operating quality to cope with the risks arising from adjustments of other macroeconomic policies such as fiscal and financial policies.

2. Environmental protection risk

Establishing a green paper industry is the strategic direction of industry development. In recent years, environmental protection requirements have become increasingly stringent. Relevant authorities have successively issued the White Paper on Sustainable Development of Papermaking Industry in China, the Guiding Opinions on Accelerating the Establishment and Improvement of a Green, Low-Carbon and Cyclical Economic System, the Opinions on Accelerating the High-Quality Development of the Manufacturing Services Industry, the “14th Five-Year Plan” and Medium and Long-term High-quality Development Outline of the Papermaking Industry and other policies, which advocate cyclical, low-carbon, green economy to achieve high-quality development of the industry. Such higher national environmental protection standards further increase the investment in pollution control by enterprises in the industry and increase the operating costs of the Company in the short term.

In response to the aforesaid risks, the Company actively implements the national “double carbon” policy. The Company adheres to the development idea of “placing green development and environmental protection as its priority”. The Company widely adopts new technologies for energy saving and emission reduction, conducts clean production, 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 hundreds of thousands of cubic meters of per day. At the same time, the Company actively explores the comprehensive utilisation of innovative resources and industrial recycling development models, and built a circular economy ecological chain of “resources-products-renewable resources”.

3. Risk of price fluctuation of raw materials

The major raw materials of the papermaking industry are wood pulp and wood chips. China’s wood resources are relatively limited, and the dependence on wood pulp and wood chips is high, which makes the development of the papermaking industry subject to fluctuations in the international price of wood pulp and wood chips. If the price of raw materials fluctuates sharply, it will bring uncertainty to the control of production costs of papermaking enterprises, which will affect the operating performance of enterprises.

In response to the aforesaid risks, the Company adheres to the strategic layout of the whole pulp and paper integrated industry chain, and has wood pulp production lines in Shouguang, Zhanjiang, Huanggang and other production bases, ensuring the stability of upstream raw materials. At the same time, the Company has established a more comprehensive supply chain management mechanism, practiced source procurement, closely followed the price trends of the raw materials market, and improved its market research and judgment ability, in order to minimise the impact of fluctuations in raw material prices on the Company.

IV Management Discussion and Analysis

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

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

4. Risk of intensifying market competition

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 with a further improved concentration. However, there remains the phenomena of a large number of enterprises, structural and staged overcapacity of some products, a large number of mid- and low-end products, and product homogeneity. During the reporting period, affected by factors such as the sluggish macroeconomic environment, supply shocks and weak demand, the prices of machine-made paper, especially white cardboard, declined year on year, and market competition further intensified.

In response to the aforesaid risks, the Company continues to promote technological innovation, and continuously improves its production equipment, processing design and process levels, in order to realise lean production, improve product quality, and create brand benefits. At the same time, based on the market conditions, the Company produces marketable products to meet the diverse needs, striving to form a high-quality, refined, special, differentiated and personalised product structure, increase the added value of products, and improve the level of corporate profitability.

5. Risk of the financial leasing business

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

To this end, Chenming Leasing has comprehensive risk prevention and control measures for the financial leasing business, with strong risk resistance and low risk of default. At present, the Company focuses on the development of its principal activities, i.e. pulp production and paper making, and continues to reduce the size of the financial leasing business. As at the end of the reporting period, the balance of financial leases of Chenming Leasing decreased to RMB4,800 million with the overall risks 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
10 April 2023	Panorama • Interactive Platform for Investors Relationship	Others	Individuals and institutions	Investors participating in the 2022 annual results briefing of the Company online	Industry overview, the Company's financial position, operating results and project progress in 2022, future prospects, etc.	For details, please refer to the Investor Relations Activity Record Sheet on CNINFO (www.cninfo.com.cn)

XIII. Implementation of the “Quality and Return Enhancement” action plan

Whether the Company has disclosed its “Quality and Return Enhancement” action plan?

Yes No

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 2023.

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 2023.

III. Dividends

During the reporting period, the sales volume of machine-made paper decreased year on year due to the weak downstream demand in the paper industry. At the same time, the prices of machine-made paper, especially that of white cardboard, fell sharply year on year due to the concentration of new production capacity. The prices of raw materials such as wood chips, raw coal and chemicals were still running at a high level, which seriously squeezed the Company’s profitability, and net profit attributable to shareholders of the Company for 2023 was RMB-1,281 million. At the same time, considering factors such as the Company’s overall development planning for 2024, the Board proposed not to pay cash dividend, issue bonus shares and increase share capital from reserves for 2023 to further reduce its debt size, satisfy the capital needs for, among other things, day-to-day production and operation, and project construction, thereby enhancing risk resistance of the Company, realising the sustainable, steady and healthy development of the pulp production and paper making business, the principal business of the Company, and better safeguarding the interests of all shareholders in the long run, subject to approval of shareholders at the forthcoming annual general meeting of the Company held on 14 May 2024 (the “AGM”).

IV. Closure of register of members

The register of members of the Company will be closed from 9 May 2024 (Thursday) to 14 May 2024 (Tuesday) (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 14 May 2024 (Tuesday), all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company’s Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 8 May 2024 (Wednesday).

V Directors' Report

V. Five-year financial summary

Please refer to “IX. Five-year financial summary under paragraph 19 of appendix D2 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 RMB505,280.00 (2022: RMB805,000.00) to non-profit making organisations.

VII. Subsidiaries

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

VIII. Property, plant and equipment

Please refer to “II. Financial Statements 1. Consolidated Balance Sheet” under section XII “Financial Report” for the details of changes in property, plant and equipment of the Group for the year ended 31 December 2023.

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 2023.

X. Pre-emptive rights

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

XI. Transfer into reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Company Law. As at 31 December 2023, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB8,492,988,611.52 (2022: RMB9,857,716,037.54) as set out in “II. Financial Statements 1. Consolidated Balance Sheet” under section XII “Financial Report”.

V Directors' Report

XII. Directors

As at 31 December 2023, the Directors of the Company were:

1. Executive Directors

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

2. Non-executive Directors

Mr. Han Tingde
Mr. Li Chuanxuan

3. Independent Non-executive Directors

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

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

XIII. Directors' and Supervisors' service contracts

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

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

V Directors' Report

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

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

In 2023, the Company had 23 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)	Person(s)
4.8 million to 5.2 million	
4.0 million to 4.8 million	1
3.6 million to 4.0 million	
3.2 million to 3.6 million	
2.8 million to 3.2 million	1
2.4 million to 2.8 million	
2.0 million to 2.4 million	2
1.6 million to 2.0 million	1
1.2 million to 1.6 million	4
0.8 million to 1.2 million	2
Below 0.8 million	12

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.

V Directors' Report

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

As at 31 December 2023, interests of the Company or its associated corporations (within the meaning of Part XV of SFO) held by each of the Directors, Supervisors and Chief Executives of the Company under section 352 of the SFO are set out as follows:

The Company

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)	As a percentage of the total share capital of the Company
Directors			
Chen Hongguo (Note 1)	Chairman	25,080,044	0.85%
Hu Changqing	Executive Director and vice chairman	2,292,857	0.08%
Li Xingchun	Executive Director and vice chairman	3,500,000	0.12%
Li Feng	Executive Director and deputy general manager	2,256,027	0.08%
Li Weixian	Executive Director and general manager	962,100	0.03%
Han Tingde	Non-executive Director	–	–
Li Chuanxuan	Non-executive Director	–	–
Sun Jianfei	Independent non-executive Director	–	–
Yin Meiqun	Independent non-executive Director	–	–
Yang Biao	Independent non-executive Director	–	–
Li Zhihui	Independent non-executive Director	–	–
Supervisors			
Li Kang	Chairman of the Supervisory Committee	149,300	0.01%
Pan Ailing	Supervisor	–	–
Zhang Hong	Supervisor	–	–
Sang Ailing	Supervisor	–	–
Qiu Lanju	Supervisor	–	–

Associated corporation(s)

Name	Position	Name of associated corporation(s)	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)	As a percentage of the total share capital of Chenming Holdings
Chen Hongguo	Chairman	Shouguang Henglian Enterprise Investment Co. Ltd. (Note 2)	231,000,000	–	231,000,000	18.65%

Note 1: Save for the 25,080,044 A shares held personally, Chen Hongguo is deemed to be interested in the 2,961,322 A shares held by his spouse, Li Xueqin.

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

V Directors' Report

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

Save as disclosed above, as at 31 December 2023, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 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 2023, 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 2023, 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)	15.47	26.56
Chenming Holdings (Hong Kong) Limited	210,717,563 B shares (L)	7.13	29.83
Chenming Holdings (Hong Kong) Limited	153,414,000 H shares (L)	5.19	29.04

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

Save as disclosed above, as at 31 December 2023, no other person had interests or short positions in the Company's shares or underlying shares as recorded in the register maintained under section 336 of the SFO.

XVIII. Relationship with employees, customers and suppliers

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

XIX. Directors' interests in material contracts and indemnity provision

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

V Directors' Report

XX. Interests in competing business

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

XXI. Directors' rights to purchase shares or debentures

As considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company held on 15 May 2020, the Company implemented the 2020 restricted A share incentive scheme. As considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company held on 29 May 2020, an aggregate of 79.6 million restricted A shares were granted to 111 participants. In particular, Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun, Mr. Li Feng and Mr. Li Weixian, all being Directors, were granted 20 million shares, 5 million shares, 5 million shares, 3 million shares and 2 million shares, respectively. In view of the fact that the results for 2022 of the Company failed to pass the performance appraisal targets at company level set for the second Unlocking Period as set out in the 2020 Restricted A Share Incentive Scheme (Draft), the Board of the Company repurchased and cancelled the Restricted Shares that had been granted to Participants but not yet unlocked for the second Unlocking Period under the authorisation. In particular, 6.00 million Restricted Shares of Director Chen Hongguo, 1.50 million Restricted Shares of Director Hu Changqing, 1.50 million Restricted Shares of Director Li Xingchun, 0.90 million Restricted Shares of Director Li Feng and 0.60 million Restricted Shares of Director Li Weixian were repurchased and cancelled.

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

XXII. Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2023.

XXIII. Major risk factors

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

XXIV. Material matters

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

XXV. Future development

Please refer to (I) Overview and trends of the industry, (II) Development strategy of the Company, (III) Operating plan for 2024 and (IV) Future capital requirements and source of funds of “XI. Outlook on the future development of the Company” under section IV “Management Discussion and Analysis” for details of future development of the Company.

XXVI. Environment, social and governance report and social responsibility

Please refer to section VII “Environment and social responsibility” for details of fulfilment of social responsibility. The Company will publish the environment, social and governance report as required by the Hong Kong Listing Rules on the website of CNINFO and the website of the Hong Kong Stock Exchange on the same date as the 2023 annual report.

V Directors' Report

XXVII. Purchase, sale and redemption of shares

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

On 17 July 2023, the Company convened the ninth extraordinary meeting of the tenth session of the Board and the fifth extraordinary meeting of the tenth session of the Supervisory Committee, at which the Resolution on the Failure Fulfilment of the Unlocking Conditions for the Second Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares was considered and approved. The results for 2022 of the Company failed to pass the performance appraisal targets at company level set for the second unlocking period as set out in the 2020 Restricted A Share Incentive Scheme (Draft) and the Assessment Management Measures for the 2020 Restricted A Shares Incentive Scheme. Meanwhile, 5 participants lost their incentive qualification due to their resignation. According to the authorisation granted at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company, the Board of the Company repurchased and cancelled 22,929,000 restricted A shares which had been granted to participants but not yet unlocked for the second unlocking period at a repurchase price of RMB2.5184172 per share (excluding the bank loan interest rate for the same term). The total amount for the funds required for the repurchase amounted to RMB66.2288 million when the bank loan interest rate for the same term was included. On 20 November 2023, the Company completed the repurchase and cancellation procedures of the 22,929,000 restricted A shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

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

XXVIII. Sufficiency of public float

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

XXIX. Review of the Audit Committee

The audited consolidated financial statements of the Company for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company.

XXX. Gearing ratio

As at 31 December 2023, the Company's gearing ratio (including minority interest) was 61.70%, representing an increase of 0.82% from 60.88% for 2022.

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

V Directors' Report

XXXI. Going concern basis

Established in 1958, the Company is a leading paper making enterprise in China and one of the top 500 Chinese enterprises. It is also a modern large-scale comprehensive conglomerate mainly engaged in pulp production and paper making. It has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and others, which deliver annual pulp and paper production capacity of over 11,000,000 tonnes. As the first large integrated pulp and paper enterprise in China that achieves basically balanced pulp production and paper making capacity, 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. The Company realised revenue of RMB26,609 million and net cash inflows from operating activities of RMB4,390 million for 2023. In compiling the accounts for the year ended 31 December 2023, 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 2023 annual financial report on a going concern basis, and has issued a standard unqualified audit opinion (please refer to "Financial Report" in section XII).

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

XXXII. Connected transactions

During the reporting period, the Group did not enter into any connected transaction required under the Listing Rules of the Stock Exchange. The related party transactions entered into by the Group during the year ended 31 December 2023 are set out in Note XIV to the financial statements. Save as disclosed above, these related party transactions do not constitute connected transactions or continuing connected transactions (as defined in the Listing Rules of the Stock Exchange) of the Group.

XXXIII. Major investment, acquisition and disposal

During the year ended 31 December 2023, the Group entered into the following major transaction agreements.

1. Agreement on the Recovery of State-owned Construction Land Use Right signed by Wuhan Chenming

On 28 April 2023, the Company convened the fifth meeting of the tenth session of the Board to consider and approve the Proposal on Signing the Agreement on the Recovery of State-owned Construction Land Use Right by Wuhan Chenming. In order to further optimise resource allocation and promote industrial upgrading, the major equipment of Wuhan Chenming's household paper production line and special paper production line were relocated to Shouguang production base and Zhanjiang production base respectively. Wuhan Chenming reached an agreement with the Wuhan Economic & Technological Development Zone Branch of the Wuhan Land Arranging Storage Centre on land recovery and storage, and signed the Agreement on the Recovery of State-owned Construction Land Use Right. The Wuhan Land Arranging Storage Centre proposed to recover the land parcel with an area of 368,624.21 m² and the buildings (structures) and ancillary facilities erected thereon from Wuhan Chenming, and pay Wuhan Chenming a total of RMB732.0776 million as compensation for the recovery and storage.

For details, please refer to the announcement disclosed by the Company on CNINFO on 29 April 2023 (announcement number: 2023-042) and the relevant announcement disclosed by the Company on the website of Hong Kong Stock Exchange on 28 April 2023.

V Directors' Report

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

2. Termination of asset purchase through the issuance of consideration shares and cash payments

On 27 February 2023, the Company convened the 2023 first extraordinary general meeting, the 2023 first class meeting for holders of domestic-listed shares and the 2023 first class meeting for holders of overseas-listed shares, at which the Company considered and approved relevant resolutions including the Report on the Agreement on Asset Purchase through Issuance of Shares and Cash Payments and Connected Transactions (Draft) of the Company. The Company intended to acquire 1.19% equity interests in Shouguang Meilun held by Dongxing Securities Investment Co., Ltd., 44.44% limited partnership share in Chenrong Fund held by Chongqing International Trust Inc. through issuance of shares. Chenming Investment, a wholly-owned subsidiary of the Company, intended to acquire 0.22% general partnership interest in Chenrong Fund held by Chenming (Qingdao) Asset Management Co., Ltd. through cash payment. The type of shares to be issued by the Company is A shares, the price of the shares to be issued is RMB4.42 per share, and the number of shares to be issued is 71,841,345 shares.

On 14 March 2023, the Company received the Notice on the Acceptance of Application Documents for Asset Purchase through the Issuance of Shares of Shandong Chenming Paper Holdings Limited (Shen Zheng Shang Shen [2023] No. 259) 《關於受理山東晨鳴紙業集團股份有限公司發行股份購買資產申請文件的通知》深證上審[2023]259 號) from the Shenzhen Stock Exchange.

On 29 June 2023, the Company convened the eighth extraordinary general meeting of the tenth session of the Board and the fourth extraordinary general meeting of the tenth session of the Supervisory Committee, at which the Company considered and approved the Resolution on the Termination of the Asset Purchase through Issuance of Shares and Cash Payments and Connected Transactions and Withdrawal of the Application Documents and agreed to terminate the transaction, sign the relevant termination agreement with the counterparty if needed and apply to the Shenzhen Stock Exchange for relevant application documents for the withdrawal of the transaction.

For details, please refer to the relevant announcements disclosed by the Company on CNINFO on 28 February 2023, 16 March 2023 and 30 June 2023 (announcement number: 2023-010, 2023-014, 2023-048) and the relevant announcements disclosed by the Company on the website of Hong Kong Stock Exchange on 27 February 2023, 15 March 2023 and 29 June 2023.

XXXIV. Tax relief

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

VI Corporate Governance

I. Corporate governance in practice

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

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

(i) Shareholders and general meeting

During the reporting period, the Board of the Company convened and held 1 annual general meeting, 3 extraordinary general meetings, 1 class meeting for holders of domestic-listed shares and 1 class meeting for holders of overseas-listed shares. The Company regulated 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 were provided as channels to participate in each general meeting to ensure that the minority shareholders enjoyed equal status and all shareholders could exercise their rights in full. Meanwhile, the Company proactively disclosed the voting status of minority investors on each of the resolutions considered at the general meetings to effectively safeguard the legitimate rights and interests of the Company and all shareholders, especially the minority shareholders.

(ii) Controlling shareholder and the Company

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

(iii) Directors and the Board

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

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

VI Corporate Governance

I. Corporate governance in practice *(Continued)*

(iv) Supervisors and the Supervisory Committee

The Supervisory Committee of the Company has a total of 5 Supervisors, including 3 shareholder representative Supervisors and 2 employee representative Supervisors. During the reporting period, the Supervisory Committee of the Company held a total of 7 meetings. The Supervisory Committee strictly followed the requirement of relevant laws and regulations including the Company Law, the Articles of Associations and the Rules of Procedure of the Supervisory Committee in fulfilling its duties. In the spirit of being accountable to the shareholders and the Company, the Supervisory Committee independently and effectively exercised its supervision and inspection functions to supervise the Company's operation and management, decision-making procedures, financial position and the duty of care and diligence of the Company's Directors and Senior Management, so as to safeguard the legitimate interests of the Company and the shareholders.

(v) Information disclosure and prevention and control of inside information

The Company earnestly fulfils its information disclosure obligation, safeguards the truthfulness, accuracy, completeness and timeliness of information disclosure, effectively strengthens the confidentiality of inside information and improve the registration and management of personnel with inside information to ensure fair information disclosure in accordance with the requirements of the Articles of Association, Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, the Listing Rules of Hong Kong Stock Exchange and relevant laws and regulations of the CSRC. During the reporting period, the Company issued a total of more than 160 periodic reports, interim announcements, and related documents through the designated information disclosure media, and a total of more than 190 periodic reports, interim announcements, and related documents through the website of the Hong Kong Stock Exchange. There was no case where the Directors, Supervisors, Senior Management and other related personnel of the Company used inside information to buy and/or sell the shares of the Company throughout the preparation of periodic reports, temporary announcements and the planning of major events, ensuring that all shareholders had fair access to information related to the Company.

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

Yes No

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

VI Corporate Governance

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

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

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

VI Corporate Governance

III. Competition in the industry

Applicable Not applicable

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

1. General meetings during the reporting period

Meeting	Type of meeting	Attendance rate of investors	Convening date	Disclosure date	Resolutions of meeting
2023 first extraordinary general meeting	Extraordinary general meeting	21.96%	27 February 2023	28 February 2023	http://www.cninfo.com.cn (announcement no.: 2023-010)
2023 first class meeting for holders of domestic-listed shares	Class meeting	24.14%	27 February 2023	28 February 2023	http://www.cninfo.com.cn (announcement no.: 2023-010)
2023 first class meeting for holders of overseas-listed shares	Class meeting	11.72%	27 February 2023	28 February 2023	http://www.cninfo.com.cn (announcement no.: 2023-010)
2023 second extraordinary general meeting	Extraordinary general meeting	20.53%	8 May 2023	9 May 2023	http://www.cninfo.com.cn (announcement no.: 2023-043)
2022 annual general meeting	Annual general meeting	21.60%	12 May 2023	13 May 2023	http://www.cninfo.com.cn (announcement no.: 2023-044)
2023 third extraordinary general meeting	Extraordinary general meeting	20.06%	26 September 2023	27 September 2023	http://www.cninfo.com.cn (announcement no.: 2023-073)

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

Applicable Not applicable

VI Corporate Governance

V. Directors, Supervisors and Senior Management

1. General information

Name	Position	Status of Office	Gender	Age	Date of the beginning of the term	Date of the end of the term	Shareholding at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Other changes (shares)	Shareholding at the end of the period (shares)	Reason for changes
Chen Hongguo	Chairman	In office	M	59	6 September 2001	15 June 2025	31,080,044	0	0	6,000,000	25,080,044	Repurchase and cancellation of restricted shares
	General manager	Resigned			15 June 2022	8 October 2023						
Hu Changqing	Vice chairman	In office	M	58	23 June 2018	15 June 2025	3,792,857	0	0	1,500,000	2,292,857	Repurchase and cancellation of restricted shares
Li Xingchun	Vice chairman	In office	M	58	11 June 2019	15 June 2025	5,000,000	0	0	1,500,000	3,500,000	Repurchase and cancellation of restricted shares
Li Feng	Director	In office	M	50	19 June 2020	15 June 2025	3,156,027	0	0	900,000	2,256,027	Repurchase and cancellation of restricted shares
	Deputy general manager				15 June 2022	15 June 2025						
Li Weixian	Director	In office	M	42	15 June 2022	15 June 2025	1,562,100	0	0	600,000	962,100	Repurchase and cancellation of restricted shares
	General manager				8 October 2023	15 June 2025						
	Deputy general manager	Resigned			6 November 2019	8 October 2023						
Han Tingde	Director	In office	M	55	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Li Chuanxuan	Director	In office	M	46	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Li Zhihui	Independent Director	In office	M	65	15 June 2022	15 June 2025	0	0	0	0	0	N/A
Sun Jianfei	Independent Director	In office	M	51	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Yin Meiqun	Independent Director	In office	F	53	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Yang Biao	Independent Director	In office	M	44	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Li Kang	Supervisor	In office	F	42	27 July 2020	15 June 2025	149,300	0	0	0	149,300	N/A
	Chairman of the Supervisory Committee				15 June 2022	15 June 2025						
Pan Ailing	Supervisor	In office	F	59	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Zhang Hong	Supervisor	In office	F	59	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Qiu Lanju	Supervisor	In office	F	50	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Sang Ailing	Supervisor	In office	F	45	19 April 2021	15 June 2025	0	0	0	0	0	N/A
Li Xueqin	Deputy general manager	In office	F	58	18 March 2003	15 June 2025	3,861,322	0	0	900,000	2,961,322	Repurchase and cancellation of restricted shares

VI Corporate Governance

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

1. General information (*Continued*)

Name	Position	Status of Office	Gender	Age	Date of the beginning of the term	Date of the end of the term	Shareholding at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Other changes (shares)	Shareholding at the end of the period (shares)	Reason for changes
Li Zhenzhong	Deputy general manager	In office	M	50	20 March 2011	15 June 2025	1,946,400	0	0	600,000	1,346,400	Repurchase and cancellation of restricted shares
Li Mingtang	Deputy general manager	In office	M	56	15 June 2022	15 June 2025	750,000	0	0	300,000	450,000	Repurchase and cancellation of restricted shares
Ge Guangming	Deputy general manager	In office	M	53	15 June 2022	15 June 2025	0	0	0	0	0	N/A
Dong Lianming	Financial controller	In office	M	49	12 October 2018	15 June 2025	859,600	0	40,000	300,000	519,600	Repurchase and cancellation of restricted shares and personal capital needs
Yuan Xikun	Secretary to the Board	In office	M	38	16 May 2018	15 June 2025	344,700	0	75,000	90,000	179,700	Repurchase and cancellation of restricted shares and personal capital needs
Chu Hon Leung	Company secretary (Hong Kong)	In office	M	41	11 June 2019	15 June 2025	0	0	0	0	0	N/A
Total	–	–	–	–	–	–	52,502,350	0	115,000	12,690,000	39,697,350	–

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

Yes No

On 8 October 2023, Mr. Chen Hongguo resigned from his position as the general manager of the Company in order to better perform duties as the chairman and devote more energy to the strategic planning, development innovation and standardised governance of the Company, and strengthen the construction of the Board of the Company, and Mr. Li Weixian was appointed as the general manager of the Company.

VI Corporate Governance

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

1. General information (*Continued*)

Changes of Directors, Supervisors and Senior Management of the Company

Applicable Not applicable

Name	Position	Type	Date	Reason
Chen Hongguo	General manager	Resigned	8 October 2023	Resignation from his position as the general manager in order to better perform duties as the chairman and devote more energy to, among others, the strategic planning, development innovation and standardised governance of the Company.
Li Weixian	Deputy general manager	Resigned	8 October 2023	Mr. Li Weixian was appointed as the general manager of the Company after the consideration of the twelfth extraordinary meeting of the tenth session of the Board with his term of office commencing from the date of consideration and approval of the Board until the expiration of the tenth session of the Board.
	General manager	Appointed	8 October 2023	

VI Corporate Governance

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

2. Employment

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

1. Brief biographies of Directors

(1) Brief biographies of executive Directors

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

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

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

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

VI Corporate Governance

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

2. Employment (*Continued*)

1. Brief biographies of Directors (*Continued*)

(2) Brief biographies of non-executive Directors

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

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

(3) Brief biographies of independent non-executive Directors

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

VI Corporate Governance

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

2. Employment (*Continued*)

1. Brief biographies of Directors (*Continued*)

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

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

Mr. Yang Biao holds a doctorate in law, and is currently a professor and advisor to doctoral students. He is current a professor of the School of Law of Sun Yat-sen University. He has concurrently served as an independent director of Guangdong Tianhe Agricultural Resources Co., Ltd., an independent director of Qiaoyi Logistics Co., Ltd., and a supervisor of Guangzhou Chuanwen Education Consulting Co., Ltd. He is currently an independent Director of the Company.

Ms. Yin Meiqun holds a doctorate in accounting, and is a professor, an advisor to doctoral students, and a certified public accountant in China. She paid academic visits to Sweden, Finland, Denmark and the Iowa State University in the United States. From July 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. She has also served as a member of the 14th Chinese People's Political Consultative Conference of Chaoyang District, Beijing, a managing director of China Business Accounting Institute, and a council member of the Accounting Society of China. She has concurrently served as an independent director of China Best Group Holding Limited. She is currently an independent Director of the Company.

VI Corporate Governance

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

2. Employment (*Continued*)

2. Brief biographies of Supervisors

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

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 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 Sunway Chemical Group Co., Ltd., Qingdao Rural Commercial Bank Co., Ltd. and Shandong Linglong Tire 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, a non-practising member of the Chinese Institute of Certified Public Accountants, a director of China Association of International Trade, and the managing director of the Shandong Society of World Economics. She has concurrently served as an independent director of Hua Xia Bank Co., Limited, an independent director of Shandong Hi-speed Road & Bridge Group Co., Ltd., an independent director of Vosges Group Co., Ltd., and an independent director of Sinotruck Jinan Truck Co., Ltd. She is currently a Supervisor of the Company.

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

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

VI Corporate Governance

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

2. Employment (*Continued*)

3. Brief biographies of Senior Management

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

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

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

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

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

VI Corporate Governance

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

2. Employment (*Continued*)

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

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

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

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

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

Employment at the shareholder of the Company

Applicable Not applicable

Name of employee	Name of shareholder of the Company	Position at the shareholder of the Company	Date of the beginning of the term	Date of the end of the term	Receipt of any remuneration or allowance from the shareholder of the Company or not
Chen Hongguo	Chenming Holdings Company Limited	Chairman	22 September 2016	29 December 2026	No
Hu Changqing	Chenming Holdings Company Limited	director	22 September 2016	29 December 2026	No
Li Xueqin	Chenming Holdings Company Limited	director	22 September 2016	29 December 2026	No
Li Feng	Chenming Holdings Company Limited	director	13 August 2021	29 December 2026	No
Explanation of the employment at the shareholder of the Company	Nil				

VI Corporate Governance

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

2. Employment (*Continued*)

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

Employment at other units

Applicable Not applicable

Name of employee	Name of other unit(s)	Position at other unit(s)	Date of the beginning of the term	Date of the end of the term	Receipt of any remuneration or allowance from other units or not
Li Chuanxuan	Shanghai Liangxin Electrical Co., Ltd.	Independent director	17 May 2023	14 September 2024	Yes
Yang Biao	Guangdong Tianhe Agricultural Resources Co., Ltd.	Independent director	17 May 2018	16 May 2024	Yes
Yang Biao	Qiaoyi Logistics Co., Ltd.	Independent director	31 March 2021	31 March 2024	Yes
Yang Biao	Dongguan Rural Commercial Bank Co., Ltd.	External supervisor	1 October 2019	1 October 2025	Yes
Sun Jianfei	Nanya New Material Technology Co., Ltd.	Independent director	4 August 2017	21 September 2023	Yes
Sun Jianfei	Suzhou Thvow Technology Co., Ltd.	Independent director	8 May 2020	An announcement on resignation was disclosed on 21 June 2023	Yes
Sun Jianfei	Cubic Digital Technology Co., Ltd.	Independent director	18 May 2021	18 May 2024	Yes
Sun Jianfei	Central China Land Media Co., Ltd.	Independent director	19 May 2023	18 May 2026	Yes
Yin Meiqun	Shangqiu Dingfeng Wood Co., Ltd.	Independent director	21 April 2021	20 April 2024	Yes
Yin Meiqun	China Best Group Holding Limited	Independent director	1 December 2021	30 November 2024	Yes
Li Xingchun	Huadian International Power Co., Ltd.	Independent director	30 June 2020	30 May 2026	Yes
Li Xingchun	Shanghai New Huangpu Industrial Group Co., Ltd.	Vice chairman	9 August 2022	8 August 2025	No
Li Xingchun	Zhejiang Kingland Pipeline and Technologies Co., Ltd.	Chairman	11 May 2023	28 December 2025	No
Pan Ailing	Shinva Medical Instrument Co., Ltd.	Independent director	27 July 2020	25 July 2026	Yes
Pan Ailing	Qingdao Rural Commercial Bank Co., Ltd.	Independent director	12 October 2022	28 May 2024	Yes
Pan Ailing	Shandong Linglong Tire Co., Ltd.	Independent director	6 July 2022	5 July 2025	Yes
Pan Ailing	Shandong Sunway Chemical Group Co., Ltd.	Independent director	15 May 2020	15 December 2023	Yes
Zhang Hong	Hua Xia Bank Co., Limited	External supervisor	31 March 2022	Expiration of the eighth session of the Supervisory Committee	Yes
Zhang Hong	Vosges Group Co., Ltd.	Independent director	15 July 2019	15 July 2025	Yes
Zhang Hong	Sinotruk Jinan Truck Co., Ltd.	Independent director	28 April 2020	11 May 2026	Yes
Zhang Hong	Cisen Pharmaceutical Co., Ltd.	Independent director	8 December 2020	28 February 2024	Yes
Zhang Hong	Shandong Hi-speed Road & Bridge Group Co., Ltd.	Independent director	23 April 2019	-	Yes

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

Applicable Not applicable

VI Corporate Governance

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

3. Remuneration of Directors, Supervisors and Senior Management

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

- (1) Determination basis for remuneration of Directors, Supervisors and the Senior Management: The annual remuneration of each of the executive Directors and the Senior Management of the Company was in the band of RMB0.20 million to RMB5.00 million and the specific amount for each of them was determined by the remuneration committee based on the main financial indicators and operation target completed by the Company, the scope of work and main responsibilities of the Directors and Senior Management of the Company, the target completion of the Directors and Senior Management as assessed by the duty and performance appraisal system, as well as business innovation capability and profit generation ability of the Directors and the Senior Management. The annual remuneration of Supervisors assuming specific managerial duties in the Company were determined by the general manager office of the Company based on specific managerial duties assumed by them. Fixed annual remuneration policy was adopted on external Supervisors who did not hold actual management positions in the Company. As approved at the 2022 first extraordinary general meeting of the Company, the Company paid each of the independent non-executive Directors and non-executive Directors of the Company allowance of RMB200,000 (before tax). The remuneration of external Supervisors amounted to RMB100,000 (before tax). The travel expenses for attending board meetings, supervisory meetings and general meetings of the Company and fees reasonably incurred in the performance of their duties under the Articles of Association by independent non-executive Directors, non-executive Directors and external supervisors are reimbursed as expensed.
- (2) Decision process for remuneration of Directors, Supervisors and Senior Management: In accordance with the relevant policies and regulations such as the Implementation Rules of the Remuneration and Assessment Committee under the Board, any remuneration plan for the Company's executive Directors proposed by the remuneration and assessment committee shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation. Any proposal of remuneration distribution plan for the Senior Management officers of the Company shall be submitted to the Board for approval. The remuneration of independent non-executive Directors, non-executive Directors and external Supervisors of the Company shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation.
- (3) The remuneration and assessment committee, which was set up by the Board according to the resolution of the general meeting, is mainly responsible to formulate the standards of, carry out appraisal in respect of the non-independent Directors and Senior Management of the Company; formulate and examine the remuneration policy and scheme of the non-independent Directors and Senior Management of the Company, and accountable to the Board.

VI Corporate Governance

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

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

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

Remuneration of Directors, Supervisors and Senior Management of the Company during the reporting period

Unit: RMB'0,000

Name	Position	Gender	Age	Status	Total remuneration before tax received from the Company	Receipt of remuneration from related parties of the Company or not
Chen Hongguo	Chairman	M	59	In office	317.42	No
Hu Changqing	Vice chairman	M	58	In office	201.25	No
Li Xingchun	Vice chairman	M	58	In office	420.00	Yes
Li Feng	Director and deputy general manager	M	50	In office	144.38	No
Li Weixian	Director and general manager	M	42	In office	232.96	No
Han Tingde	Director	M	55	In office	20.00	No
Li Chuanxuan	Director	M	46	In office	20.00	No
Li Zhihui	Independent Director	M	65	In office	20.00	No
Sun Jianfei	Independent Director	M	51	In office	20.00	No
Yin Meiqun	Independent Director	F	53	In office	20.00	No
Yang Biao	Independent Director	M	44	In office	20.00	No
Li Kang	Chairman of the Supervisory Committee	F	42	In office	84.30	No
Pan Ailing	Supervisor	F	59	In office	10.00	No
Zhang Hong	Supervisor	F	59	In office	10.00	No
Qiu Lanju	Supervisor	F	50	In office	75.03	No
Sang Ailing	Supervisor	F	45	In office	22.09	No
Li Xueqin	Deputy general manager	F	58	In office	169.67	No
Li Zhenzhong	Deputy general manager	M	50	In office	135.77	No
Li Mingtang	Deputy general manager	M	56	In office	87.27	No
Ge Guangming	Deputy general manager	M	53	In office	130.35	No
Dong Lianming	Financial controller	M	49	In office	145.66	No
Yuan Xikun	Secretary to the Board	M	38	In office	55.52	No
Chu Hon Leung	Company secretary (Hong Kong)	M	41	In office	0.00	No
Total	—	—	—	—	2,361.67	—

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

Other explanation

Applicable Not applicable

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 sixth extraordinary meeting of the tenth session of the Board	19 January 2023	20 January 2023	http://www.cninfo.com.cn (announcement no.: 2023-003)
The fourth meeting of the tenth session of the Board	30 March 2023	31 March 2023	http://www.cninfo.com.cn (announcement no.: 2023-016)
The seventh extraordinary meeting of the tenth session of the Board	19 April 2023	20 April 2023	http://www.cninfo.com.cn (announcement no.: 2023-030)
The fifth meeting of the tenth session of the Board	28 April 2023	29 April 2023	http://www.cninfo.com.cn (announcement no.: 2023-039)
The eighth extraordinary meeting of the tenth session of the Board	29 June 2023	30 June 2023	http://www.cninfo.com.cn (announcement no.: 2023-046)
The ninth extraordinary meeting of the tenth session of the Board	17 July 2023	18 July 2023	http://www.cninfo.com.cn (announcement no.: 2023-053)
The sixth meeting of the tenth session of the Board	30 August 2023	31 August 2023	http://www.cninfo.com.cn (announcement no.: 2023-064)
The tenth extraordinary meeting of the tenth session of the Board	8 September 2023	9 September 2023	http://www.cninfo.com.cn (announcement no.: 2023-067)
The eleventh extraordinary meeting of the tenth session of the Board	20 September 2023	21 September 2023	http://www.cninfo.com.cn (announcement no.: 2023-071)
The twelfth extraordinary meeting of the tenth session of the Board	8 October 2023	9 October 2023	http://www.cninfo.com.cn (announcement no.: 2023-074)
The seventh meeting of the tenth session of the Board	30 October 2023	N/A	The Company's 2023 Third Quarterly Report was considered and approved. It was exempted from disclosure by resolution announcement.
The thirteenth extraordinary meeting of the tenth session of the Board	28 November 2023	29 November 2023	http://www.cninfo.com.cn (announcement no.: 2023-080)

VI Corporate Governance

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

2. Attendance of Directors at Board meetings and general meetings

Attendance of Directors at Board meetings and general meetings

Name of Directors	Number of attendance required for Board meetings during the reporting period	Attendance 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	12	0	12	0	0	No	0
Hu Changqing	12	0	12	0	0	No	6
Li Xingchun	12	0	12	0	0	No	6
Li Feng	12	0	12	0	0	No	5
Li Weixian	12	0	12	0	0	No	5
Han Tingde	12	0	12	0	0	No	6
Li Chuanxuan	12	0	12	0	0	No	6
Li Zhihui	12	0	12	0	0	No	6
Sun Jianfei	12	0	12	0	0	No	6
Yin Meiqun	12	0	12	0	0	No	6
Yang Biao	12	0	12	0	0	No	6

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).

VI Corporate Governance

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

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.

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, all Directors of the Company performed their duties with integrity and diligence, and conducted works in strict compliance with relevant rules of the CSRC, Shenzhen Stock Exchange and Stock Exchange, as well as the Articles of Association, the Rules of Procedures of the Board of Directors, the Administrative Rules for Independent Directors and other systems. They actively attended the Board meetings, carefully reviewed various proposals, made scientific decisions and executed resolutions of the general meetings. Independent Directors of the Company maintained good communication with other Directors, Supervisors and senior management. They focused on the operation and financial conditions and legal person governance structure of the Company, and expressed their independent opinions on matters of the Company that have significant impacts on minority shareholders, including external guarantees, related party transactions, financial aids and change in general manager etc. They also enhanced their exchange with investors by attending general meetings and result announcement roadshows, thus actively safeguarding the legitimate rights of the Company and all shareholders, which is beneficial to the regulated operation and healthy development of the Company.

VI Corporate Governance

VII. Special committees under the Board during the reporting period

Name of the committee	Member	Number of meeting convened	Convening date	Details of the meeting	Important opinion and advice	Other performance of duty	Details of objection
Audit Committee	Yin Meiqun, Li Zhihui and Sun Jianfei	4	30 March 2023	Reviewed Full Text and Summary of the Company's 2022 Annual Report, the Company's 2022 Financial Final Accounts Report, Proposal on the Appointment of Auditor for 2023 and Proposal on Provision for Impairment of Assets in 2022	Agreed to submit to the Board for review	Communication with accountants on the independence, responsibilities, key audit matters and important matters of the audit for 2022; review of the 2022 audit report and financial report, the reasons for making asset impairment provision for 2022, asset scope and basis of provision, and ensure the rationality and prudence of provision; review of the professional competence, independence, investor protection ability, and audit fees of the 2023 auditor.	Nil
			28 April 2023	Reviewed the 2023 First Quarterly Report of the Company	Agreed to submit to the Board for review	Review of the 2023 first quarterly report of the Company.	Nil
			30 August 2023	Reviewed the Full Text and Summary of the 2023 Interim Report of the Company and the Proposal of Asset Impairment Provision for the First Half of 2023	Agreed to submit to the Board for review	Review of Capital Flows Between Related Parties, external guarantees and impairment provision of the Company for the first half of 2023, and the 2023 interim report.	Nil
			30 October 2023	Reviewed the 2023 Third Quarterly Report of the Company	Agreed to submit to the Board for review	Review of the 2023 third quarterly report of the Company; paying attention to reasons for the year-on-year decrease in profits.	Nil

VI Corporate Governance

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

Name of the committee	Member	Number of meeting convened	Convening date	Details of the meeting	Important opinion and advice	Other performance of duty	Details of objection
Remuneration and Assessment Committee	Yang Biao, Li Xingchun and Sun Jianfei	2	30 March 2023	Reviewed the Proposal on Determination of Remuneration of Directors, Supervisors and Senior Management for 2022	Agreed to submit to the Board for review	Review of the performance assessment on executive Directors and senior management and Supervisors who assume specific management positions in the Company, and determination of the remuneration of Directors, Supervisors and the Senior Management based on the operations of the Company in 2022.	Nil
			17 July 2023	Reviewed the Proposal on Failure Fulfilment of the Unlocking Conditions for the Second Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares	Agreed to submit to the Board for review	Review of each of the items under the 2020 Restricted A Share Incentive Scheme including the performance appraisal indicators at the company level, resignation of employees, the list of participants who do not meet the unlocking conditions, number of shares repurchased and cancelled, repurchase price and basis.	Nil
Nomination Committee	Li Zhihui, Chen Hongguo and Yin Meiqun	1	8 October 2023	Reviewed the Proposal on Change in General Manager	Agreed to submit to the Board for review	Review of the reasons for resignation of Mr. Chen Hongguo, the former general manager, and the qualification, work experience and shareholding of Mr. Li Weixian, the candidate, to determine that he is capable to serve as senior management.	Nil

VI Corporate Governance

VIII. Performance of duties by the Supervisory Committee

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

Yes No

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

IX. Personnel of the Company

1. Number of staff, specialty composition and education level

Number of staff at the Company (person) as at the end of the reporting period	2,522
Number of staff at major subsidiaries (person) as at the end of the reporting period	7,341
Total number of staff (person) as at the end of the reporting period	10,604
Total number of staff receiving remuneration during the period (person)	10,604
Number of retired/resigned staff the Company and its major subsidiaries are required to compensate (person)	0

Category of specialty composition	Number of people (person)
Production staff	7,181
Sales staff	465
Technical staff	410
Financial staff	177
Administrative staff	1,198
Other staff	1,173
Total	10,604

Category of education level	Number of people (person)
Postgraduate and above	23
Undergraduate	879
Post-secondary	2,253
Technical secondary and below	7,449
Total	10,604

VI Corporate Governance

IX. Personnel of the Company (Continued)

2. Remuneration policies

The remuneration of the employees of the Company includes their salaries, performance 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

Adhering to the corporate spirit of “working hard and operating aggressively”, the Company has established comprehensive staff promotion and incentive mechanisms to enhance the enthusiasm and creativity of employees. The Company focuses on the cooperation with quality training institutions to introduce quality training programmes, especially focusing on improving the capability of middle-level and senior management in respect of learning, management and action. The Company deep dives into front-line of production to understand the true needs of employees for trainings, improve the operational skills of employees and enhance our core competitiveness.

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 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

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

Applicable Not applicable

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

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

Applicable Not applicable

1. Equity incentives

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

96 participants fulfilled the unlocking conditions for the first unlocking period under the 2020 Restricted A Share Incentive Scheme with 29,948,000 restricted shares being eligible for unlocking. 15 participants had resigned, had changed duty, and had removed from office, which failed to comply with the unlocking conditions. The total number of restricted shares that have been granted to and held by the participants and have not yet been unlocked is 4,466,000, with a repurchase price of RMB2.5184172 per share (excluding the bank loan interest rate for the same term). On 27 July 2022, 29,948,000 restricted A shares that were unlocked were listed for trading. On 18 October 2022, the Company completed the procedures for the repurchase and cancellation of 4,466,000 restricted A shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

VI Corporate Governance

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

1. Equity incentives *(Continued)*

7. On 17 July 2023, the Company convened the ninth extraordinary meeting of the tenth session of the Board and the fifth extraordinary meeting of the tenth session of the Supervisory Committee, at which the Resolution on the Failure Fulfilment of the Unlocking Conditions for the Second Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares was considered and approved. The results for 2022 of the Company failed to pass the performance appraisal targets at company level set for the second unlocking period. Meanwhile, 5 participants lost their incentive qualification due to their resignation. The Board of the Company repurchased and cancelled 22,929,000 restricted A shares which had been granted to participants but not yet unlocked for the second unlocking period at a repurchase price of RMB2.5184172 per share (excluding the bank loan interest rate for the same term). On 20 November 2023, the Company completed the repurchase and cancellation procedures of the 22,929,000 restricted A shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

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

Applicable Not applicable

Unit: share

Name	Position	Number of share options held at the beginning of the period	Number of newly granted share options during the reporting period	Number of shares exercisable during the reporting period	Number of shares exercised during the reporting period	Exercise price of the shares exercised during the reporting period (RMB/share)	Number of share options held at the end of the period	Market price at the end of the reporting period (RMB/share)	Number of restricted shares held at the beginning of the period	Number of unlocked shares during the current period	Number of newly granted restricted shares during the reporting period	Grant price of restricted shares (RMB/share)	Number of restricted shares held at the end of the period
Chen Hongguo	Chairman	0	0	0	0	0	0	3.88	12,000,000	0	0	2.85	6,000,000
Hu Changqing	Vice chairman	0	0	0	0	0	0	3.88	3,000,000	0	0	2.85	1,500,000
Li Xingchun	Vice chairman	0	0	0	0	0	0	3.88	3,000,000	0	0	2.85	1,500,000
Li Feng	Director and deputy general manager	0	0	0	0	0	0	3.88	1,800,000	0	0	2.85	900,000
Li Weixian	Director and general manager	0	0	0	0	0	0	3.88	1,200,000	0	0	2.85	600,000
Li Xueqin	Deputy general manager	0	0	0	0	0	0	3.88	1,800,000	0	0	2.85	900,000
Li Zhenzhong	Deputy general manager	0	0	0	0	0	0	3.88	1,200,000	0	0	2.85	600,000
Li Mingtang	Deputy general manager	0	0	0	0	0	0	3.88	600,000	0	0	2.85	300,000
Dong Lianming	Financial controller	0	0	0	0	0	0	3.88	600,000	0	0	2.85	300,000
Yuan Xikun	Secretary to the Board	0	0	0	0	0	0	3.88	180,000	0	0	2.85	90,000
Total	—	0	0	0	0	—	0	—	25,380,000	0	0	—	12,690,000
Remarks (if any)	The 2022 annual result of the Company failed to pass the performance appraisal targets at company level set for the second unlocking period. Pursuant to the 2020 Restricted A Share Incentive Scheme (Draft) of the Company, the restricted shares held by participants under the second unlocking period shall be repurchased and cancelled. In particular, the number of shares for Directors, Supervisors and Senior Management of the Company repurchased and cancelled was 12,690,000 during the reporting period.												

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

1. Equity incentives *(Continued)*

Assessment and incentive mechanism for the Senior Management

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

2. Implementation of employee shareholding plans

Applicable Not applicable

3. Other employee incentive measures

Applicable Not applicable

VI Corporate Governance

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

1. Construction and implementation of internal control system

During the reporting period, in accordance with the Basic Internal Control Norms for Enterprises and its supporting guidelines, taking internal and external environment, internal organisation and management requirements into account, the Company updated and improved its internal control system in a timely manner, comprehensively reviewed and revised the daily work and business flows and internal control systems of each department and business segment of the Company, supplemented and revised the relevant content of the Internal Control Management Manual, and established a scientifically designed, concise and applicable internal control system with effective operation. The internal control of the Company was able to cover the main aspects of the Company's operation and management, and there were no major omissions. The units, businesses and events included in the evaluation scope and high-risk areas covered the main aspects of the Company's operation and management, and there were no major omissions. The design of the internal control system of the Company was sound and reasonable. The implementation of internal controls was effective and there were no major omissions.

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

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

Yes No

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

Name of the company	Integration plan	Integration progress	Issue encountered during integration	Implemented solution	Solution progress	Follow-up solution
Jiangxi Chenming Port Co., Ltd.	In April 2023, Jiangxi Chenming, a subsidiary, acquired equity interest in Jiangxi Port, which is included in the scope of consolidation. The principal activities of Jiangxi Chenming Port is goods loading and transportation at wharf. In order to revitalise Jiangxi Port and enhance economic benefits to the Company, Jiangxi Chenming has contracted the businesses of Jiangxi Port to Jiangxi Yirong Investment Co., Ltd. for 5 years, and receives fixed contracting fees of RMB4.00 million per year on quarterly basis.	Completed	Nil	N/A	N/A	N/A

VI Corporate Governance

XIV. Assessment report on internal control or auditor's report on internal control

1. Assessment report on internal controls

Date of disclosure of assessment report on internal controls	29 March 2024
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	99.70%
Percentage of revenue included in assessment to revenue in consolidated financial statements of the Company	99.40%

Type	Basis for identifying deficiencies	
	Financial reporting	Type
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>① 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>② Indicators of major deficiencies in internal control of non-financial reporting include: general failure as a result of the decision-making process; deficiencies in major business procedure or system; high turnover rate of key staff; failure to address the findings of internal control assessment, in particular major deficiencies; and other factors which impose great adverse impact to the Company.</p> <p>③ 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%.</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		0
Number of material deficiencies in non-financial reporting		0
Number of major deficiencies in financial reporting		0
Number of major deficiencies in non-financial reporting		0

VI Corporate Governance

XIV. 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 2023.

Disclosure of auditor's report on internal control	Disclosed
Date of disclosure of auditor's report on internal control	29 March 2024
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 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 C1 to the Hong Kong Listing Rules during the reporting period.

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

(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 C3 to the Hong Kong Listing Rules. Having made adequate enquiries with all Directors and Supervisors of the Company, the Company was not aware of any information that reasonably suggested that the Directors and Supervisors had not complied with the requirements as stipulated in this code during the reporting period.

(iii) Board

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

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

VI Corporate Governance

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

(iii) Board (*Continued*)

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

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

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

During the reporting period, the Board held 12 meetings, 4 of which were regular meetings and 8 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 and Sustainable Development Committee meetings	General meetings
I. Executive Directors							
Chen Hongguo	Chairman	12/12	N/A	1/1	N/A	N/A	6/0
Hu Changqing	Vice chairman	12/12	N/A	N/A	N/A	N/A	6/6
Li Xingchun	Vice chairman	12/12	N/A	N/A	2/2	N/A	6/6
Li Feng	Executive Director	12/12	N/A	N/A	N/A	N/A	6/5
Li Weixian	Executive Director	12/12	N/A	N/A	N/A	N/A	6/5
II. Non-executive Directors							
Li Chuanxuan	Director	12/12	N/A	N/A	N/A	N/A	6/6
Han Tingde	Director	12/12	N/A	N/A	N/A	N/A	6/6
III. Independent non-executive Directors							
Li Zhihui	Independent Director	12/12	4/4	1/1	N/A	N/A	6/6
Sun Jianfei	Independent Director	12/12	4/4	N/A	2/2	N/A	6/6
Yin Meiqun	Independent Director	12/12	4/4	1/1	N/A	N/A	6/6
Yang Biao	Independent Director	12/12	N/A	N/A	2/2	N/A	6/6

VI Corporate Governance

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

(iii) Board (*Continued*)

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

According to Article 197 of the Articles of Association, Board meetings shall be notified to all the Directors and Supervisors in writing ten (10) days in prior, and there was no objection from any director to a shorter notice period. Therefore, 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, and could make timely and prompt decisions on transactions that are material to the Group's business. Reasonable prior notification was given for the other meetings of the Board to ensure all Directors could take time to attend. The Board will use its best endeavours to comply with the requirements of the code provisions.

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

Directors' training and professional development

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

Directors and Supervisors of the Company were arranged by the Company to attend training courses 2023 for directors and supervisors held by China Securities Regulatory Commission, Shandong; and, briefing paper in respect of amendments to Hong Kong Listing Rules prepared by Advisor to Hong Kong Law of the Company was distributed to all Directors and Supervisors, the above of which were to ensure all Directors and Supervisors to comply with relevant laws and sound corporate governance practice, and enhance their awareness of sound corporate governance practice.

(iv) Chairman and general manager

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

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

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

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

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

(v) Independent non-executive Directors

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

(vi) Terms of Directors

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

(vii) Directors' responsibility for the financial statements

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

VI Corporate Governance

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

(viii) Board committees

Pursuant to Code on Corporate Governance, the Board has established four committees, namely, Audit Committee, Remuneration and Assessment Committee, Strategy and Sustainable Development 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 Strategy and Sustainable Development Committee, for overseeing and studying long-term strategic development plan of the Company and making recommendations.

(ix) Audit Committee

The Audit Committee of the Company comprises three members, including Yin Meiqun (as the chairman), Li Zhihui and Sun Jianfei, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are serving as a communication media between internal and external audit and the related review and supervision. Yin Meiqun and Sun Jianfei have appropriate professional qualifications or appropriate accounting or related financial management expertise, which is in compliance with the requirement of the Hong Kong Listing Rules.

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

The Audit Committee discussed with the management of the Company the accounting standards and practices adopted by the Group and discussed and reviewed this report, including the review of the financial statements of the Group for the year ended 31 December 2023 prepared in accordance with China Accounting Standards for Business Enterprises.

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

Risk Management and Internal Control

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

The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the Audit Committee reviews the adequacy and effectiveness of the risk management and internal control systems at least once a year. The management has provided confirmation to the Audit Committee (and the Board) on the adequacy and effectiveness of these systems for the year ended 31 December 2023. The Audit Committee (as well as the Board) was satisfied with the adequacy and effectiveness of the related systems.

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

(ix) Audit Committee *(Continued)*

Risk Management and Internal Control *(Continued)*

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

(x) Remuneration and Assessment Committee

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

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

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

(xi) Nomination Committee

The Nomination Committee of the Company comprises three members, including Li Zhihui (as the chairman), Chen Hongguo and Yin Meiqun. Two of them, including the chairman, are independent non-executive Directors, which is in compliance with Code on Corporate Governance Practices. The Nomination Committee is primarily responsible for selecting candidates for directors and the management of the Company, determining the selection criteria and procedure and making recommendations.

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

(xi) Nomination Committee (*Continued*)

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

During the reporting period, the Nomination Committee studied matters in relation to the change in general manager. 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. Prior to the appointment of new general manager, the Nomination Committee submitted recommendations and relevant materials of the candidates for the new general manager.

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

(xii) Strategy and Sustainable Development Committee

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

The primary duties of the Strategy and Sustainable Development 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) supervising the Company and its subsidiaries to operate in compliance with the national and local directions, policies, laws and regulations in respect of sustainable development; (5) making recommendation to the Board in respect of material matters on sustainable development and ESG of the Company; (6) guiding sustainable development and ESG works, studying ESG-related planning, objectives, systems and material matters of the Company, reviewing ESG-related reports and providing consultation recommendations to the Board; (7) conducting supervision and inspection on the execution of ESG works, and providing guidance and opinions in due course; (8) conducting research and submitting proposals regarding other material matters that may affect the development of the Company; (9) carrying out examination on the implementation of the above matters; (10) dealing with other matters as delegated by the Board.

During the reporting period, the Strategic Committee was renamed as the Strategy and Sustainable Development Committee. The Company has formulated the Implementation Rules of the Strategy and Sustainable Development Committee, thereby guiding sustainable development and ESG works and conducting supervision and inspection on the execution of ESG works to ensure compliance operation of the Company in respect of environmental, social and governance matters.

VI Corporate Governance

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

(xiii) Auditor

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

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

On 12 May 2023, the Company convened the 2022 annual general meeting, and considered and approved the Resolution in relation to the Appointment of the Auditor for 2023, and continued to engage Grant Thornton (Special General Partnership) as the domestic auditor of the Company for 2023 and be responsible for domestic auditing of the Company for 2023.

(xiv) Remuneration for the Auditor

The financial statements for 2023 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Grant Thornton (Special General Partnership). In 2023, the Company paid the auditor a total of RMB2.5 million (tax inclusive; tax exclusive amount: RMB2.3585 million) in respect of financial statements audit for 2022 and a total of RMB0.8 million (tax inclusive; tax exclusive amount: RMB0.7547 million) in respect of audit services in relation to internal control for 2022.

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

In addition to the aforesaid annual financial report and internal control audit fees paid to Grant Thornton (Special General Partnership) totalling RMB3.1132 million (tax exclusive), other tax-exclusive audit expenses incurred due to the audit of R&D expenses and the audit of income tax settlement and payment totalled RMB2.4279 million.

(xv) Supervisors and Supervisory Committee

The Supervisory Committee comprises three shareholder representatives and two employee representatives. The shareholder representative Supervisors shall be elected and removed at a general meeting and the employee representative Supervisors shall be elected and removed democratically by the employees of the Company. During the reporting period, the Supervisory Committee of the Company convened 7 meetings, and all Supervisors attended Supervisory Committee meetings convened during the year, and carefully reviewed the 2022 Annual Report, 2023 First Quarterly Report, 2023 Interim Report and 2023 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.

VI Corporate Governance

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

(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.

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 12 May 2023 by the Company, three extraordinary general meetings, one class meeting for holders of domestic-listed shares and one class meeting for holders of overseas-listed shares were convened in 2023. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
2023 first extraordinary general meeting	Hu Changqing, Li Chuanxuan, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zihui, Sun Jianfei, Yin Meiqun, Yang Biao
2023 first class meeting for holders of domestic-listed shares	Hu Changqing, Li Chuanxuan, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zihui, Sun Jianfei, Yin Meiqun, Yang Biao
2023 first class meeting for holders of overseas-listed shares	Hu Changqing, Li Chuanxuan, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zihui, Sun Jianfei, Yin Meiqun, Yang Biao
2023 second extraordinary general meeting	Hu Changqing, Li Chuanxuan, Han Tingde, Li Chuanxuan, Li Zihui, Sun Jianfei, Yin Meiqun, Yang Biao
2022 annual general meeting	Hu Changqing, Li Chuanxuan, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zihui, Sun Jianfei, Yin Meiqun, Yang Biao
2023 third extraordinary general meeting	Hu Changqing, Li Chuanxuan, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zihui, Sun Jianfei, Yin Meiqun, Yang Biao

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

(xvii) Communications with Shareholders *(Continued)*

General meetings *(Continued)*

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

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

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

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

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

Voting by poll

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

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

(xvii) Communications with Shareholders (*Continued*)

Shareholders' right

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

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

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

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

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

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

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

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

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

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

VI Corporate Governance

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

(xvii) Communications with Shareholders (*Continued*)

Shareholders' right (*Continued*)

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

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

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

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

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

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

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

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

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

VI Corporate Governance

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

(xvii) Communications with Shareholders (*Continued*)

Relationships with investors

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

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

(xviii) Internal Control

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

(xix) Articles of Association

On 12 May 2023 and 17 July 2023, the Company amended the new Articles of Association. The amendments were primarily relating to rename of the Strategy Committee of the Board to the Strategy and Sustainable Development Committee of the Board, share capital structure after repurchase and cancellation of certain restricted shares, and changes in registered capital etc. The Memorandum of Association and the amended version of the new Articles of Association of the Company are available on websites of the Company and Stock Exchange.

(xx) Board Diversity

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

Such policies are summarised as follows:

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

VI Corporate Governance

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

(xx) Board Diversity (*Continued*)

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

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

(xxi) Dividend policy

During the reporting period, as the downstream demand in papermaking industry was weak, the sales volume of machine-made paper decreased year on year. At the same time, as affected by the concentration of new production capacity, the prices of machine-made paper, especially cardboard prices, recorded significant year-on-year decline. The prices of wood chips, raw coal, chemicals and other raw materials remained at high level, which exerted great pressure on the profitability of the Company. The net profit attributable to shareholders of the Company for 2023 amounted to RMB-1.281 billion. Meanwhile, considering the overall development plan of the Company for 2024, the Board proposed not to pay cash dividend, issue bonus shares and increase share capital from reserves for 2023 to further reduce its liability size and satisfy the capital needs for, among other things, day-to-day production and project construction of the Company, thereby enhancing risk resistance, securing the sustainable and steady development of the pulp production and paper making business, the principal business of the Company, and better safeguarding the long-term interests of all shareholders.

VII Environmental and Social Responsibility

I. Major environmental protection matters

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

Yes No

Environmental protection related policies and industry standards

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

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

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

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

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

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

Environmental protection administrative licensing

Shandong Chenming Paper Holdings Limited: Issued on 2 March 2023 and valid up to 1 March 2028.

Shouguang Meilun Paper Co., Ltd.: Issued on 2 March 2023 and valid up to 1 March 2028.

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

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

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

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

VII Environmental and Social Responsibility

I. Major environmental protection matters (Continued)

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

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Approved	Excessive
									total emissions	emissions
Shandong Chenming Paper Holdings Limited	Exhaust gas	SO ₂	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 15.8mg/m ³	35mg/m ³	Power plant no. 1: 26.68t	160.32t/year	No
						Power plant no. 2: 13.9mg/m ³		Power plant no. 2: 25.27t		
		NO _x	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 38.6mg/m ³	50mg/m ³	Power plant no. 1: 67.4t	233.91t/year	No
	Particulates	Organised emission	2	Chenming Industrial Park	Power plant no. 2: 38.3mg/m ³	Power plant no. 2: 70.92t				
	Wastewater	COD	Indirect emission	2	Chenming Industrial Park	Power plant no. 1: 0.82mg/m ³	5mg/m ³	Power plant no. 1: 1.425t	23.39t/year	No
						Power plant no. 2: 0.634mg/m ³		Power plant no. 2: 1.188t		
Ammonia nitrogen						Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 147mg/L	300mg/L
Total nitrogen	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 2: 197mg/L	Sewage outlet no. 2: 2611t					
Shouguang Meilun Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	4	Chenming Industrial Park	Sewage outlet no. 1: 4.81mg/L	30mg/L	Sewage outlet no. 1: 40.44t	650.7t/year	No
						Sewage outlet no. 2: 0.969mg/L		Sewage outlet no. 2: 12.969t		
						NO _x	Organised emission	2	Chenming Industrial Park	Sewage outlet no. 1: 18.6 mg/L
	Particulates	Organised emission	2	Chenming Industrial Park	Sewage outlet no. 2: 13.4 mg/L	Sewage outlet no. 2: 183t				
	Exhaust gas	SO ₂	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 18 mg/m ³	35mg/m ³	Power plant no. 1: 23.72t	342.89t/year	No
						Power plant no. 2: 14.3 mg/m ³		(power plant), 50mg/m ³		
Alkali recovery: 3.95 mg/m ³						(chemical pulp)	Alkali recovery: 58.05t			
NO _x	Organised emission	4	Chenming Industrial Park	Lime kiln: 5.23 mg/m ³	50mg/m ³	Lime kiln: 7.25t	1,202.75t/year	No		
Particulates	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 32.8 mg/m ³		(power plant), 100mg/m ³			Power plant no. 1: 41.86t	
Power plant no. 2: 31.3 mg/m ³	(power plant), 100mg/m ³	Power plant no. 2: 69.26t								
Alkali recovery: 73.7 mg/m ³	(chemical pulp)	Alkali recovery: 759.2t								
Lime kiln: 17.2 mg/m ³		Lime kiln: 26.6t								
Power plant no. 1: 0.653mg/m ³	5mg/m ³	Power plant no. 1: 0.766t								
Power plant no. 2: 1.18 mg/m ³		(power plant), 10mg/m ³	Power plant no. 2: 2.641t							
Alkali recovery: 1.11 mg/m ³	(chemical pulp)	Alkali recovery: 14.035t								
Lime kiln: 1.51 mg/m ³		Lime kiln: 1.95t								
Jiangxi Chenming Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	2	Within factory area	9.47mg/m ³	200mg/m ³	23.05t	806t/year	No
						30.55mg/m ³		200mg/m ³		
						NO _x	Organised emission	2	Within factory area	2.57mg/m ³
	Particulates	Organised emission	2	Within factory area	36.39mg/L	90mg/L	142.06t	1,260t/year	No	
	Wastewater	COD	Direct emission	1	Total wastewater discharge		0.97mg/L			8mg/L
						2.87mg/L	12mg/L	11.66t		
Ammonia nitrogen						Direct emission	1	Total wastewater discharge	2.87mg/L	12mg/L

VII Environmental and Social Responsibility

I. Major environmental protection matters (Continued)

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

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions			
Jilin Chenming Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	3 (2 in use, 1 spare)	Within factory area	24.80mg/m ³	100mg/m ³	18.85t	97t/year	No			
		NO _x	Organised emission	3 (2 in use, 1 spare)	Within factory area	54.28mg/m ³	100mg/m ³	42.73t	213t/year	No			
		Particulates	Organised emission	3 (2 in use, 1 spare)	Within factory area	16.53mg/m ³	30mg/m ³	14.10t	51.66t/year	No			
	Wastewater	COD	Indirect emission	1	Total wastewater discharge	121.85mg/L	120mg/L	625.05t	6,000t/year	No			
		Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	1.47mg/L	45mg/L	7.59t	500t/year	No			
		Total nitrogen	Indirect emission	1	Total wastewater discharge	6.66mg/L	50mg/L	34.01t	/	No			
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	6	Within factory area	Power plant no. 1: 2.2mg/m ³	Power plant: 35mg/m ³	100t	620t/year	No			
						Power plant no. 2: 3.5mg/m ³	Lime kiln: 200mg/m ³						
						Power plant no. 3: 2.7mg/m ³	Alkali furnace: 200mg/m ³						
						Power plant no. 4: 2.1mg/m ³							
						Lime kiln: 24.5mg/m ³							
						Alkali boilers: 5.7mg/m ³							
	NO _x	Organised emission	6	Within factory area	Power plant no. 1: 23.5mg/m ³	Power plant: 50mg/m ³	1,500t	1,799.999t/year	No				
					Power plant no. 2: 26mg/m ³	Lime kiln: 200mg/m ³							
					Power plant no. 3: 22.1mg/m ³	Alkali furnace 200mg/m ³							
					Power plant no. 4: 24.6mg/m ³								
					Lime kiln: 118.9mg/m ³								
					Alkali boilers: 70.3mg/m ³								
Particulates	Organised emission	6	Within factory area	Power plant no. 1: 1.3mg/m ³	Power plant: 10mg/m ³	150t	195.06t/year	No					
				Power plant no. 2: 1.2mg/m ³	Lime kiln: 30mg/m ³								
				Power plant no. 3: 1.2mg/m ³	Alkali furnace: 30mg/m ³								
				Power plant no. 4: 1.5mg/m ³									
				Lime kiln: 17.3mg/m ³									
				Alkali boilers: 6.5mg/m ³									
Wastewater	COD	Continuous emission	1	Wastewater discharge	45mg/L	90mg/L	750t	1943t/year	No				
					Ammonia nitrogen	Continuous emission	1	Wastewater discharge	0.55mg/L	8mg/L	25t	43.9t/year	No
					Total nitrogen	Continuous emission	1	Wastewater discharge	4.039mg/L	12mg/L	91.218t	320.4t/year	No

VII Environmental and Social Responsibility

I. Major environmental protection matters (Continued)

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

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Huanggang Chenming Pulp & Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	1	Lime kiln chimney	15.87mg/m ³	80mg/m ³	14.74t	142.872t/year	No
		SO ₂	Organised emission	1	Alkali furnace chimney	8.50mg/m ³	200mg/m ³	32.14t	328.417t/year	No
		NO _x	Organised emission	1	Lime kiln chimney	119.64mg/m ³	180mg/m ³	111.10t	181.887t/year	No
		NO _x	Organised emission	1	Alkali furnace chimney	157.41 mg/m ³	200mg/m ³	595.56t	950.829t/year	No
		Particulates	Organised emission	1	Lime kiln chimney	17.72mg/m ³	200mg/m ³	16.45t	45.311t/year	No
		Particulates	Organised emission	1	Alkali furnace chimney	14.38mg/m ³	30mg/m ³	54.42t	83.759t/year	No
	Wastewater	COD	Indirect emission	1	Total wastewater discharge	24.75 mg/L	150mg/L	215.51t	398.911t/year	No
		Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	0.12mg/L	14mg/L	1.01t	39.891t/year	No
		Total nitrogen	Indirect emission	1	Total wastewater discharge	1.06mg/L	29mg/L	9.20t	/	No

Treatment of pollutants

1. Shandong Chenming Paper Holdings Limited

Its own power plant uses the exhaust gas treatment process of limestone-gypsum desulfurisation + SNCR selective non-catalytic reduction denitration + electric and bag composite dust removal + wet type electric dust removal. In 2023, the environmental protection exhaust gas treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average exhaust gas indicator did not exceed the standard, and the exhaust gas was discharged up to the standard after treatment.

Its sewage treatment plant uses the traditional activated sludge wastewater treatment process + membrane treatment and recycle process, and the wastewater which is treated up to the standard is partially discharged into the sewage treatment plant of Shouguang Zhongye Water Co., Ltd., and partially reused in production lines after the treatment at the membrane treatment plant. In 2023, the wastewater treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average wastewater indicator did not exceed the standard, and the wastewater was discharged up to the standard after treatment.

2. Shouguang Meilun Paper Co., Ltd.

Its own power plant uses the exhaust gas treatment process of limestone-gypsum desulfurisation + SNCR selective non-catalytic reduction denitration + electric and bag composite dust removal + wet type electric dust removal. The chemical pulp alkali recovery furnace uses the exhaust gas treatment process of PSCR denitration + electrostatic dust removal + wet electrostatic dust removal, and the chemical pulp lime kiln uses the exhaust gas treatment process of ozone denitration + electrostatic dust removal + wet type electric dust removal. In 2023, the environmental protection exhaust gas treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average exhaust gas indicator did not exceed the standard, and the exhaust gas was discharged up to the standard after treatment.

VII Environmental and Social Responsibility

I. Major environmental protection matters (*Continued*)

Treatment of pollutants (*Continued*)

3. Jiangxi Chenming Paper Co., Ltd.

Its own power plant uses the exhaust gas treatment process of ammonia desulfurisation + SNCR catalytic reduction denitrification+ electric and bag composite dust removal + 90-metre desulfurisation and denitrification tower. The aerobic section of the sewage treatment plant is equipped with a negative pressure exhaust device to recover and treat the exhaust gas from anaerobic and aerobic sections, and uses the process of alkali spraying + biofiltration + water washing. In 2023, the environmental protection exhaust gas treatment facilities operated well, and were overhauled in time according to the overhaul plan. The daily average exhaust gas indicator did not exceed the standard, and the exhaust gas was discharged up to the standard after treatment.

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

4. Jilin Chenming Paper Co., Ltd.

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

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

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

The thermal power plant of Zhangjiang Chenming Pulp and Paper Co., Ltd. has three circulating fluidised bed boilers of 280t/h and one circulating fluidised bed boiler of 400t/h. In particular, the three boilers of 280t/h are equipped with SNGR denitrification and external wet (cement-plaster) desulphurisation system. The boiler of 400t/h is equipped with SNCR+SCR in combination denitrification, external wet desulphurisation and wet electrostatic dust removal system.

The company has constructed wastewater treatment station in two phases. Among which, the capacity of phase I wastewater treatment station is 86,000 m³/d (applies “primary settling tower + conditioning tower + selective aeration tank + Fenton oxidation tank + clarifier” treatment), while that of phase II wastewater treatment station is 30,000 m³/d (applies “first-class sedimentation pre-treatment + second-class biological treatment + third-class Fenton oxidation deep treatment”).

VII Environmental and Social Responsibility

I. Major environmental protection matters *(Continued)*

Treatment of pollutants *(Continued)*

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

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

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

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

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.

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 Environmental and Social Responsibility

I. Major environmental protection matters *(Continued)*

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

The Company has always adhered to the concept of “green development, ecological Chenming”, and clung to the development model of “clean production” and resource recycling. A green ecology is incorporated in the whole process of production and operation. The Company has invested more than RMB8 billion in total to construct the pollution treatment facilities including the alkali recovery system, reclaimed water treatment system, reclaimed water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental protection indicators rank high in China. During the reporting period, the Company paid environmental protection tax according to law. The Company’s environmental protection tax mainly results from atmospheric pollutants. According to the Environmental Protection Tax Law of People’s Republic of China and its implementation rules, the pollutants shall be calculated according to the automatic monitoring data of pollutants if automatic pollutant monitoring equipment which complies with national provisions and monitoring standards is installed and used. Taxable atmospheric pollutants are determined according to the pollution equivalent quantity converted from the amount of pollutant discharge. The taxable atmospheric pollutants discharged from each outlet, or where there is no outlet, are to be ranked in decreasing order of pollution equivalent quantity, and environmental taxes are to be levied on the top three pollutants. In 2023, the Company paid environmental protection tax amounting to RMB13.0517 million.

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

Applicable Not applicable

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

VII Environmental and Social Responsibility

I. Major environmental protection matters *(Continued)*

Administrative penalties for environmental problems during the reporting period

Name of company or subsidiary	Reasons for penalty	Violations	Penalty results	Impact on the production and operation of the listed company	Corrective measures of the Company
Zhanjiang Chenming	Failure in making the payment for 2022 carbon emission trading quota on time	According to the Interim Measures for Carbon Emission Management in Guangdong Province and the Notice on Delay in Settlement of the Payment for 2022 Carbon Emission Trading Quota of the Department of Ecology and Environment of Guangdong Province, the emission control enterprise and unit shall complete the settlement of payment by 20 July 2023 based on the actual carbon emission volume for the prior year. Zhanjiang Chenming failed to fulfil the obligation to settle carbon emission allowances for 2022 within the aforementioned timeframe, and received the Decision on Ordering for Correction of illegal acts from the Department of Ecology and Environment of Guangdong Province.	Ordered for correction	Zhanjiang Chenming has completed the payment for 2022 carbon emission trading quota. There is no material adverse impact on the listed company.	Zhanjiang Chenming has completed the payment for carbon emission trading quota within the prescribed timeframe.

Other environmental information to be disclosed

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

Other environmental protection related information

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

VII Environmental and Social Responsibility

II. Social responsibility

During the reporting period, adhering to the corporate mission of “creating values and contributing to the society”, the Company stayed true to original aspiration and strived to its missions, proactively assumed its social responsibilities, and paid attention to the creation of social value while pursuing economic benefits. For details, please refer to the 2023 Environmental, Social and Governance Report of Shandong Chenming Paper Holdings Limited published by the Company on CNINFO on 29 March 2024.

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

The Company adhered to the pulp and paper integration strategic layout, and brought rural forest land into the whole industrial chain, which directly and indirectly promoted employment, urban and rural resources flow and farmers' income increase. Meanwhile, the Company spared no effort to prevent pollution to effectively protect the local rural environment, and bear fruit in the construction of beautiful countryside. Through public welfare investment, the Company helped local rural areas improve the education and infrastructure construction level, consolidate the poverty alleviation achievements and fully support rural revitalisation. During the reporting period, the Company donated RMB500,000 to Shouguang Virtue Education Fund to help Shouguang education development. In addition, the Group was granted the Industrial Assistance Outstanding Case Award issued by the JRJ Organising Committee of Rural Revitalisation and Development Alliance, and was awarded the membership unit of the Rural Revitalisation and Development Alliance. For details, please refer to the Company's 2023 Environment, Society and Governance Report, which was published on CNINFO on 29 March 2024. In 2024, the Company will rely on its own strength, reinforce technological innovation, unswervingly take the low carbon green paper making road, and ensure rural ecological liveability with strong environmental protection measures while boosting local economic development. Through the staff mutual aid foundation, the Company will effectively help employees get rid of poverty, actively participate in charitable activities, support education, and help rural revitalisation.

VIII Material Matters

I. Performance of undertakings

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

Applicable Not applicable

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

VIII Material Matters

I. Performance of undertakings (Continued)

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

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Chenming Holdings Company Limited, Chenming Holdings (Hong Kong) Limited	Undertaking on the principle transaction opinions and share changes during the reorganisation period	1. This reorganisation is conducive to improving the Company's profitability, enhancing the sustainable operation ability, and protecting the interests of investors and minority shareholders. We agree to this reorganisation in principle. 2. During the period from the first disclosure of the reorganisation plan to its completion, the company will not reduce its shareholding in the Company. This commitment letter is legally binding on the company from the date of signing, and the company is willing to bear all the legal responsibility of the economic losses, claims and extra expenses caused to Chenming Paper for violating the above commitments.	21 November 2022	Until the implementation of the restructuring plan is completed	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
	Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yin Meiqun, Yang Biao, Li Kang, Qiu Lanju, Sang Ailing, Pan Ailing, Zhang Hong, Li Xueqin, Li Zhenzhong, Li Mingtang, Ge Guangming, Dong Lianming, Yuan Xikun and Chu Hon Leung	Undertaking on the shareholding reduction plan during the asset restructuring	On 12 August 2022, the Company published an announcement on the preliminary disclosure of disposal of shares by certain Directors and Senior Management members, namely Hu Changqing, Li Feng, Li Weixian, Li Zhenzhong, Li Mingtang, Dong Lianming and Yuan Xikun. Due to personal capital needs, the Directors and Senior Management members mentioned above intended to dispose of no more than 3,753,100 shares in total by centralised bidding or bulk transaction within 6 months after 15 trading days from the date of the announcement of disposal of shares. For details, please refer to the relevant announcement of CNINFO (www.cninfo.com.cn). Apart from the plan of disposal of shares by certain Directors and Senior Management members as disclosed above, I have no other plan to dispose of shares from the date of the first disclosure of the reorganisation plan to its completion. This commitment letter is legally binding on me from the date of signing, and I am willing to bear all legal responsibilities for all economic losses, claims and extra expenses caused to Chenming Paper by violating the above commitments.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VIII Material Matters

I. Performance of undertakings (Continued)

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

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

VIII Material Matters

I. Performance of undertakings *(Continued)*

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

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Chenming Holdings Company Limited	Undertaking to take remedial measures on effects of dilution on the current earnings as a result of the transaction	<p>1. The company undertakes that it will not interfere the ordinary operation of the Company, nor encroach on the interests of the Company, nor compromise the interests of the Company in any other manner;</p> <p>2. The company undertakes that it will act to restrain duty-related spending by directors and senior management of the Company;</p> <p>3. The company will ensure the remuneration system formulated by the Board or the Remuneration and Assessment Committee is in line with implementation of the remedial measures for the returns by the Company;</p> <p>4. The company undertakes that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns if the Company intends to make such share incentive plans in the future;</p> <p>5. During the period from the date of this undertaking until the date of completion of the transaction, supplementary undertakings will be given in accordance with other new regulations of CSRC concerning remedial measures for returns and related undertakings, if such regulations are announced by CSRC and the foregoing undertakings fall short of meeting such new regulations;</p> <p>6. The company undertakes that it will practically perform the remedial measures for returns formulated by the Company as well as any undertaking made by the company for such remedial measures. The Company will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the undertakings. The company will be liable for relevant legal liabilities to the Company or the investors for their losses in the event of failure to perform the undertakings.</p>	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

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
	Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zihui, Sun Jianfei, Yin Meiqun, Yang Biao, Li Kang, Qiu Lanju, Sang Ailing, Pan Ailing, Zhang Hong, Li Xueqin, Li Zhenzhong, Li Mingtang, Ge Guangming, Dong Lianming, Yuan Xikun and Chu Hon Leung		1. Not to transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; 2. Restrain his/her own duty-related spending; 3. not to use the Company's assets for investments and consumption activities unrelated to the performance of their duties; 4. the remuneration system formulated by the Board or the Remuneration and Assessment Committee is in line with implementation of the remedial measures for the returns by the Company; 5. the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns if the Company intends to make such share incentive plans in the future; 6. during the period from the date of this undertaking until the date of completion of the transaction, supplementary undertakings will be given in accordance with other new regulations of CSRC concerning remedial measures for returns and related undertakings, if such regulations are announced by CSRC and the foregoing undertakings fall short of meeting such new regulations; 7. I will practically perform the remedial measures for returns formulated by the Company as well as any undertaking made by the Company for such remedial measures. I will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the undertakings.	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
	Chenming Holdings Company Limited	Undertaking to regulate and reduce related party transactions	Regarding the reduction and avoidance of related party transactions, the following unconditional and irrevocable undertaking are hereby made: 1. The company and the companies controlled by the company will minimise and regulate potential related party transactions with the Company and the companies controlled by the Company; Regarding the related party transactions between the company and other companies controlled by the company and the Company and the companies controlled by the Company that cannot be reduced or have reasonable reasons in the future, the company and other companies controlled by the company will follow the principle of fairness and justice in market transactions, conduct transactions at fair and reasonable market prices, perform related party transaction decision-making procedures in accordance with relevant laws, regulations and normative documents, and perform information disclosure obligations according to law. 2. The company guarantees that the company and other companies controlled by the company will not obtain any illegitimate benefits through related party transactions with the Company and the companies controlled by the Company or make the Company and the companies controlled by the Company bear any improper obligations. 3. The company will urge the company and other companies controlled by the company not to seek special interests through the related relationship with the Company, and not to conduct related party transactions that damage the interests of the Company and its minority shareholders.	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

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
	Shouguang Meilun, Chenrong Fund	Undertaking to provide true, accurate and complete information	1. The company has provided the Company and the intermediaries serving for the transaction with relevant information and documents of the company (including but not limited to original written materials, duplicate materials or oral testimony). The company guarantees that the copies or photocopies of the documents and materials provided are consistent with the originals, and the signatures and seals of these documents and materials are true, ensures that the relevant information and documents provided for the transaction are true, accurate and complete, and there are no false records, misleading statements or major omissions, and bears individual and joint legal responsibilities for the authenticity, accuracy and completeness of the information provided. 2. During the period of the transaction, the company will disclose the information about the transaction to the Company in a timely manner in accordance with relevant laws, regulations and rules, and the relevant provisions of the CSRC and Shenzhen Stock Exchange, so as to ensure the authenticity, accuracy and completeness of such information and guarantee that there are no false records, misleading statements or major omissions in such information. If the relevant information provided by the company for the transaction does not meet the above requirements and causes losses to the Company and investors, the company will bear individual and joint liability for compensation.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
		Undertaking on absence of insider trading	1. The company, its controlling shareholder, all directors, supervisors and senior management members, and the entities controlled by the abovementioned subjects have not been placed on file for investigation for suspected insider trading related to this transaction. In the last 36 months, there is no case that the CSRC has imposed administrative punishment or the judicial organs have lawfully investigated criminal responsibility for participating in insider trading related to major asset reorganisation, and here is no case that the above personnel are not allowed to participate in the transaction according to Article 13 of the Guidelines for Supervision of Listed Companies No.7 – Supervision of Abnormal Stock Trading Related to Major Asset Restructuring of Listed companies. 2. The company, its controlling shareholder and its all directors, supervisors and senior management members guarantee to take necessary measures to keep the confidential materials and information involved in the transaction strictly confidential in accordance with the requirements of applicable laws and regulations.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VIII Material Matters

I. Performance of undertakings (Continued)

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

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
		Undertaking on compliance and integrity	<p>1. As of the date of this letter of undertaking, the party involved in undertaking and the directors and key management personnel of the party involved in undertaking are not being investigated by the judicial authority for suspected crimes or being investigated by the CSRC for suspected violations of laws and regulations; 2. The party involved in undertaking and the directors and key management personnel of party involved in undertaking have been in good faith in the past five years, and there has been no failure to repay large debts on schedule, fail to fulfill undertakings, or be subject to administrative supervision measures by the CSRC or disciplinary action by the stock exchange;</p> <p>3. The party involved in undertaking and the directors and key management personnel of the party involved in undertaking have not been subject to administrative punishment (except those obviously irrelevant to the securities market), criminal punishment, or involved in major civil lawsuits or arbitrations related to economic disputes in the past five years. As at the date of this letter of undertaking, there are no pending or foreseeable major lawsuits, arbitrations or administrative punishment cases of the party involved in undertaking and the directors and key management personnel of the party involved in undertaking;</p> <p>4. The party involved in undertaking has not had any untrustworthy circumstances such as failure to repay large debts on schedule, fail to fulfill undertakings, or be subject to administrative supervision measures by the CSRC or disciplinary action by the stock exchange in the past five years. None of the above situation is currently in the stage of investigation and has not yet formed a conclusion; 5. Directors and key management personnel of the party involved in undertaking were not subject to the circumstances listed in Article 146 of the Company Law. The content of the above undertaking is true, complete and accurate, and there are no false or misleading statements or major omissions. The party involved in undertaking is fully aware of the possible consequences of making a false statement, and is willing to bear all legal consequences arising therefrom.</p>	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VIII Material Matters

I. Performance of undertakings (Continued)

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

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

VIII Material Matters

I. Performance of undertakings (Continued)

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

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

VIII Material Matters

I. Performance of undertakings (Continued)

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

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

VIII Material Matters

I. Performance of undertakings (Continued)

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

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Dongxing Securities Investment Co., Ltd., Chenming (Qingdao) Asset Management Co., Ltd.	Commitment on no illegal matters in the past five years	1. The company and its major management personnel did not receive any criminal punishment or administrative punishment related to the securities market in the last five years, and there was no major civil litigation or arbitration related to economic disputes; 2. The company and its major management personnel did not fail to repay large debts on schedule or fulfil their commitments, were not taken administrative supervision measures by the CSRC, or were not disciplined by stock exchanges; 3. The company had no other major illegal acts that damaged the investors' legitimate rights and interests and social public interests, nor other bad records.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
	Chongqing International Trust Inc.		Chongqing Trust (the "company"), as the trustee of Chongqing Trust Huiyu No. 6 Collective Fund Trust Plan ("Huiyu No. 6" or the "plan"), represents Huiyu No. 6 as the counterparty of the transaction, and makes the following commitments on the plan and the relevant information of the company: (1) Commitments of the plan: 1. Since its establishment, the plan has not been subject to administrative punishment or criminal punishment related to the securities market, and there are no major civil lawsuits or arbitrations related to economic disputes; 2. There is no failure to repay large debts, fulfil commitments, take administrative supervision measures by the CSRC or be disciplined by stock exchanges on the plan; 3. There are no other major illegal acts that damage the investors' legitimate rights and interests and social public interests in the plan, nor other bad records. (2) Commitments of the company: 1. The company and its major management personnel did not receive any criminal punishment or administrative punishment related to the securities market in the last five years, and there were no major civil lawsuits or arbitrations related to economic disputes (except for other products managed by the company as litigants); 2. On 3 January 2023, the Beijing Supervision Bureau of the CSRC issued the Decision on the Administrative Supervisory Measures Against Chongqing International Trust Inc. for Correction ([2023] No. 10), pursuant to which, due to the existing issues as a shareholder of Guodu Securities Co., Ltd., the company was subject to administrative supervisory measures for correction by the Beijing Regulatory Bureau of the CSRC, which required the company to "take practical and effective corrective measures to rectify the illegal pledges, and exercise its rights and fulfil its obligations as a shareholder in compliance with the law, and not to become a major shareholder and a de facto controller of a securities company without approval". In addition to the above, the company and its major management personnel did not fail to repay large debts on schedule or fulfil their commitments, were not taken administrative supervision measures by the CSRC, or were not disciplined by stock exchanges; 3. The company had no other major illegal acts that damage the investors' legitimate rights and interests and social public interests, nor other bad records.	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VIII Material Matters

I. Performance of undertakings *(Continued)*

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

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

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

Applicable Not applicable

VIII Material Matters

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

Applicable Not applicable

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

III. External guarantees against the rules and regulations

Applicable Not applicable

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

IV. Opinions of the Board regarding the “modified auditor’s report” for the latest period

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 was no changes in accounting policies, accounting estimates or correction of major accounting errors 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 year, 1 subsidiary was newly established, namely Shouguang Kunwo Trading Co., Ltd., and 1 subsidiary was deregistered, namely Beijing Chenming Financial Leasing Co., Ltd. 2 subsidiaries were disposed through the transfer of 65.21% equity interest, namely Wuhan Chenming Hanyang Paper Holdings Co., Ltd. and Wuhan Chenming Qianneng Electric Power Co., Ltd. 1 subsidiary was acquired, namely Jiangxi Chenming Port 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)	390
Continued term of service of the domestic accounting firm	5
Name of certified public accountants of the domestic accounting firm	Jiang Tao and Guo Dongmei
Continued term of service of certified public accountants of the domestic accounting firm	1

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 2023. The Company paid RMB800,000 as internal control audit fees for prior year during the reporting period. The Company engaged Huaying Securities Co., Ltd. as its independent financial advisor in respect of the issuance of shares and payment of cash consideration for acquisition of assets, and paid RMB2.12 million as financial advisor fees during the reporting period.

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

Applicable Not applicable

X. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

VIII Material Matters

XI. Material litigation and arbitration

Applicable Not applicable

General information on the litigation (arbitration)	Amount involved	Whether provisions are made	Progress	Trial results and impact	Enforcement of judgment	Date of disclosure	Disclosure index
Statutory demand and winding-up petition	HK\$389,112,432.44	No	On 25 October 2022, the Company engaged Hong Kong legal advisers to apply for seeking the dismissal or adjournment of the winding-up petition presented by HKK2 against the Company at the Court of First Instance. On 25 July 2023, the Court of First Instance held a hearing on the aforesaid application.	On 10 August 2023, the Company received the judgment made by the Honourable Mr. Justice Harris of the Court of First Instance. On the ground that the application for arbitration in respect of the joint venture agreement filed by the Company with the HKIAC in June 2022 is the basis of the cross-claim made by the Company against HKK2 under the winding-up petition, it is ruled to stay the winding-up petition. The substantive hearing of the arbitration will be heard in May 2024.	N/A	19 August 2023	http://www.cninfo.com.cn
Summary of matters not subject to disclosure as material litigation (arbitration) in which Chenming Leasing is the plaintiff	RMB1,029.6935 million	No	The amount involved in ongoing cases was RMB54.4188 million; the amount involved in resolved cases was RMB975.2747 million.	For resolved litigations, the court ordered relevant defendant and guarantor to settle outstanding loans to the Company, in line with the request of the Company and would not have any significant impact on the operation and financial condition of the Company.	The amount involved in the resolved and executed cases was RMB207.5134 million, and other cases are in the progress of execution.	N/A	N/A
Summary of matters not subject to disclosure as material litigation (arbitration) in which Chenming Leasing is the defendant	RMB8.34 million	No	At the first instance stage.	Conclusions have not yet made. It is expected that there would not be any significant impact on the operation and financial condition of the Company.	Not yet entered the execution stage	N/A	N/A
Summary of matters not subject to disclosure as material litigation (arbitration) in which the Company and other subsidiaries of the Company are the plaintiff	RMB568.8137 million	No	The amount involved in ongoing cases was RMB205.9547 million; the amount involved in resolved cases was RMB362.8590 million.	Did not have any significant impact on the operation and financial condition of the Company.	The amount involved in the resolved and executed cases was RMB70.2312 million, and other cases are in the progress of execution.	N/A	N/A

VIII Material Matters

XI. Material litigation and arbitration *(Continued)*

General information on the litigation (arbitration)	Amount involved	Whether provisions are made	Progress	Trial results and impact	Enforcement of judgment	Date of disclosure	Disclosure index
Summary of matters not subject to disclosure as material litigation (arbitration) in which the Company and other subsidiaries of the Company are the defendant	RMB220.6950 million	No	The amount involved in ongoing cases was RMB134.1828 million; the amount involved in resolved cases was RMB86.5122 million.	Did not have any significant impact on the operation and financial condition of the Company.	All the resolved cases have been executed.	N/A	N/A

XII. Punishment and rectification

Applicable Not applicable

Name	Type	Reason	Type of inspection and punishment	Conclusion (if any)	Date of disclosure	Disclosure index
Zhanjiang Chenming	Subsidiary	On 18 May 2023, there was a safety accident occurred by Shijiazhuang Kejing Waste Material Recycling Co., Ltd. ("Kejing"), a residue outsourcing entity of Zhanjiang Chenming, in the factory of Zhanjiang Chenming, causing the death of four employees of Kejing. On the ground that Zhanjiang Chenming's failure in entering into safety production management agreement with Kejing, reaching agreement on respective safety management responsibilities in the outsourcing contract, arranging and initiating management over safety production accountability and safety production of Kejing and its inclined screen slurry residue collection spots, as well as in view of other failures, Zhanjiang Emergency Management Bureau ruled that Zhanjiang Chenming had violated relevant regulations under the Production Safety Law of the People's Republic of China.	General administrative punishment	As Zhanjiang Chenming actively cooperated with the incident investigation, rectified the current safety production conditions, entered into specific safety production agreements with all contractors, and identified and set up clear warning signs in all premises with confined space, it is eligible for a light penalty, thus Zhanjiang Emergency Management Bureau issued the Decision for Administrative Penalty and imposed penalty of RMB1.20 million on Zhanjiang Chenming. Zhanjiang Chenming paid the aforementioned penalty on 27 February 2024.	25 May 2023	http://www.cninfo.com.cn

Rectification

Applicable Not applicable

XII. Punishment and rectification *(Continued)*

Learning from the lesson of the safety accident happened in the external slurry residue selling unit, Zhanjiang Chenming has further improved its safety prevention measures, strengthened the leadership responsibility and regulatory responsibility, regulated operational procedures, enhanced safety awareness, and developed emergency handling capability. Specific measures are as follow:

(I) Establish sound safety production accountability system and implement safety responsibility and performance assessment for all employees

- (1) Establish safety production accountability appraisal system, organise and optimise the safety production duty list for employees in all departments at all levels covering from key responsible personnel and on-site operators, and implement appraisal by divisions and categories in strict compliance with safety production duty list.
- (2) Facilitate implementation and discover weak points through appraisal, remedy shortcomings, promote the implementation of safety production accountability for all employees, and duly implement the “two duties for one position” policy for safety production.

(II) Strengthen safety management of contractors and implement unified duty coordination and management

- (1) Include external contractors into the unified management of the Company, formulate respective safety responsibilities and enter into specific safety management agreement.
- (2) Further optimise factory operation of contractors, and clarify the requirements on different procedures covering selection of contractors, in-factory notice, safety disclosure, construction approval, operation supervision, inspection and record, award and punishment.
- (3) Update the safety management ledger of contractor in a timely manner, require contractor to create a post of safety responsible personnel with key responsibility personnel and safety responsible personnel possessing certificates, arrange contractors to convene monthly safety management meetings and special safety inspection and safety trainings, and supervise contractors in respect of implementation, execution and correction.

(III) Enhance system on confined space operation and implement strict operation control

- (1) Conduct comprehensive, scientific inspection on facilities, equipment and premises of the company with confined space, enhance risk management on confined space for the six aspects of inspection mechanism, identification method, risk analysis, risk identification, scientific control and effective elimination, and set up alert poster and notice board in all prominent locations of facilities, equipment and premises with confined space.
- (2) Firmly conduct education and training on confined space operations, especially the special safety trainings for on-site responsible personnel, supervisors, operators and emergency personnel engaging in confined space operations so as to fully enhance their safety skills and awareness.
- (3) Strictly conduct confined space operation management, implement strict and detailed safety rules for confined space operations, duly conduct identification, approval, supervision and other key procedures, and ensure safe confined space operation.
- (4) Strengthen supervision and inspection, set up part-time safety personnel in every factory and workshop to assist head of factory to conduct safety works, arrange safety management personnel to conduct weekly benchmark inspection on premises with confined space, rectify identified potential hazard based on the principle of “determination of responsible personnel, measures and terms”, and arrange special personnel to follow up rectification progress.

Through strict implementation of safety production accountability system for employees, Zhanjiang Chenming strictly focus on hazardous operation management, duly perform safety management works, adhere to safety baseline and strengthen safety infrastructure construction, thereby avoiding the reoccurrence of similar issues.

VIII Material Matters

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

Applicable Not applicable

XIV. Significant related party transactions

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

Applicable Not applicable

Related party 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 Port Wood Chip Terminal Co., Ltd.	Joint venture	Labour service	Port miscellaneous fees	Market price	Market price	7,880.33	8.57%	N/A	No	Bank acceptance and telegraphic transfer	N/A	N/A	N/A
Total				–	–	7,880.33	–	–	–	–	–	–	–
Particulars on refund of bulk sale				Nil									
Estimated total amount for day-to-day related party transactions to be conducted during the period (by types of transactions) and their actual implementing during the reporting period (if any)				Nil									
Reasons for large differences between transaction price and market reference price (if applicable)				N/A									

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

Applicable Not applicable

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

3. Related party transaction connected to joint external investment

Applicable Not applicable

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

4. Related creditors' rights and debts transactions

Applicable Not applicable

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

Yes No

Creditor's rights receivable from any related party

VIII Material Matters

XIV. Significant related party transactions (Continued)

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

Related party	Relationship with the Company	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	1,829.12	-	870.02	6.00%	83.62	1,042.72
Weifang Port Area Wood Chip Port Co., Ltd.	A joint venture	Financial support	No	7,167.93	-	-	6.00%	383.25	7,551.18
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	An associate	Financial support	No	22,978.30	-	530.00	4.75%	276.97	22,725.27
Effect of related creditors' rights on the operating results and financial position of the Company		The above creditors' rights did not affect the ordinary operation of the Company. Moreover, they catered to the needs for development of existing businesses of the above entities.							

Debts payable to any related party

Related party	Relationship with the Company	Reason	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	-	36,470.00	22,970.11	Market interest rate	61.40	13,561.29	
Guangdong Nanyue Bank Co., Ltd.	An associate	Borrowing	190,910.00	206,906.00	190,910.00	Market interest rate	1,988.57	206,906.00	
Effect of related debts on the operating results and financial position of the Company		Financial support was provided by Chenming Holdings without requiring any pledge or guarantee, which was a testament to its support and confidence in the future development of the Company, and helped the Company promote project construction and satisfy its needs for working capital.							

VIII Material Matters

XIV. Significant related party transactions (Continued)

5. Deals with related financial companies

Applicable Not applicable

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

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

Applicable Not applicable

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

7. Other significant related party transactions

Applicable Not applicable

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

XV. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

Applicable Not applicable

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

(2) Contracting

Applicable Not applicable

In April 2023, Jiangxi Chenming, a subsidiary, acquired equity interest in Jiangxi Port, which is included in the scope of consolidation. The principal activities of Jiangxi Chenming Port is goods loading and transportation at wharf. In order to revitalise Jiangxi Port and enhance economic benefits to the Company, Jiangxi Chenming has contracted the businesses of Jiangxi Port to Jiangxi Yirong Investment Co., Ltd. for 5 years, and receives fixed contracting fees of RMB4.00 million per year on quarterly basis.

A project which generates profit or loss for the Company representing more than 10% of the Company's total profit during the reporting period

Applicable Not applicable

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	2023
Low-value leases	8,017,898.94
Total	8,017,898.94

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	2023
Lease income	205,849,883.65

VIII Material Matters

XV. Material contracts and implementation *(Continued)*

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

As a lessor *(Continued)*

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

Unit: RMB

Year	2023.12.31
Within 1 year after the balance sheet date	179,905,002.33
1 to 2 years after the balance sheet date	168,651,189.37
2 to 3 years after the balance sheet date	167,585,064.63
3 to 4 years after the balance sheet date	162,996,827.55
4 to 5 years after the balance sheet date	159,887,562.91
More than 5 years after the balance sheet date	165,396,559.34
Total	1,004,422,206.13

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

Applicable Not applicable

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

VIII Material Matters

XV. Material contracts and implementation (Continued)

2. Significant guarantees

Applicable Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB11,918.5064 million. As at 31 December 2023, 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 RMB13,270.2932 million, representing 79.50% of the equity attributable to shareholders of the Company in 2023.

Unit: RMB'0,000

Name of obligee	Date of the related announcement disclosing the guarantee amount	External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)							Term	Guarantee fulfilled or not	Guarantee to related parties or not	
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee (if any)					
Weifang Port Area Wood Chip Port Co., Ltd.	24 July 2017	17,500.00	20 December 2017	9,560.00	General guarantee	Credit guarantee	No	10 years	No	Yes		
Zhanjiang Runbao Trading Co., Ltd.	30 March 2022	16,000.00	25 April 2022	16,000.00	Pledge	34.64% equity interest in Wuhan Chenming	Equity transfer payment of RMB160 million	2 years	No	No		
Zhanjiang Dingjin Trading Co., Ltd.	7 December 2022	13,558.19	7 December 2022	13,558.19	Mortgage	Properties	Remaining equity transfer payment of RMB136 million	3 years	No	No		
Shanghai Shuilan Trading Co., Ltd.	7 December 2022	45,700.00	7 December 2022	45,000.00	Pledge	100% equity interest in Shanghai Chongmin	80% equity interest in Taixing Port held by Shanghai Huahao	3 years	No	No		
Total external guarantees approved during the reporting period (A1)		-	Total actual external guarantees during the reporting period (A2)									-
Total external guarantees approved at the end of the reporting period (A3)		92,758.19	Balance of total actual guarantees at the end of the reporting period (A4)									84,118.19

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 the Company and its subsidiaries						Term	Fulfilled or not	Guarantee to related parties or not
			Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee				
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	9,800.00	5 January 2021	9,800.00	General guarantee	No	No	5 years	No	No	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2022	91,361.61	31 May 2022	91,361.61	General guarantee	No	No	1 year	No	No	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2023	1,070,000.00	25 May 2023	433,385.08	General guarantee	No	No	1 year	No	No	
Shouguang Meilun Paper Co., Ltd.	30 March 2022	21,000.00	28 February 2023	21,000.00	General guarantee	No	No	1 year	No	No	
Shouguang Meilun Paper Co., Ltd.	30 March 2023	500,000.00	19 June 2023	163,626.92	General guarantee	No	No	1 year	No	No	
Jiangxi Chenming Paper Co., Ltd.	30 March 2022	15,421.13	1 July 2022	15,421.13	General guarantee	No	No	1 year	No	No	
Jiangxi Chenming Paper Co., Ltd.	30 March 2023	430,000.00	24 May 2023	139,336.93	General guarantee	No	No	1 year	No	No	
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2022	2,000.00	27 April 2023	2,000.00	General guarantee	No	No	1 year	No	No	
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2023	380,000.00	23 May 2023	40,500.00	General guarantee	No	No	1 year	No	No	
Huanggang Chenming Paper Technology Co., Ltd.	30 March 2023	470,000.00			General guarantee	No	No	1 year	No	No	
Huanggang Chenming Paper Technology Co., Ltd.	15 December 2023	-50,000.00			General guarantee	No	No	1 year	No	No	
Chenming (HK) Limited	30 March 2023	200,000.00	7 December 2023	1,548.00	General guarantee	No	No	1 year	No	No	
Zhanjiang Chenming Arboriculture Development Co., Ltd.	30 March 2023	10,000.00			General guarantee	No	No	1 year	No	No	
Jilin Chenming Paper Co., Ltd.	30 March 2023	30,000.00	27 June 2023	30,000.00	General guarantee	No	No	1 year	No	No	
Jilin Chenming Paper Co., Ltd.	15 December 2023	50,000.00	29 December 2023	14,563.93	General guarantee	No	No	1 year	No	No	
Shouguang Chenming Art Paper Co., Ltd.	30 March 2023	20,000.00			General guarantee	No	No	1 year	No	No	
Shandong Chenming Group Finance Co., Ltd.	30 March 2023	20,000.00			General guarantee	No	No	1 year	No	No	

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 the Company and its subsidiaries						Term	Fulfilled or not	Guarantee to related parties or not
			Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee				
Kunshan Tuohan Plastic Products Co., Ltd.	30 March 2022	2,000.00	27 February 2023	2,000.00	General guarantee	No	No	1 year	No	No	
Kunshan Tuohan Plastic Products Co., Ltd.	30 March 2023	10,000.00	9 August 2023	3,500.00	General guarantee	No	No	1 year	No	No	
Chenming (Singapore) Co., Ltd.	30 March 2023	50,000.00			General guarantee	No	No	1 year	No	No	
Shandong Chenming Paper Sales Co., Ltd.	30 March 2022	55,996.71	19 August 2022	55,996.71	General guarantee	No	No	5 years	No	No	
Shandong Chenming Paper Sales Co., Ltd.	30 March 2023	350,000.00	9 August 2023	150,245.82	General guarantee	No	No	1 year	No	No	
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2022	975.00	13 February 2023	975.00	General guarantee	No	No	1 year	No	No	
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2023	150,000.00	29 May 2023	6,450.00	General guarantee	No	No	1 year	No	No	
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	30 March 2023	30,000.00	31 August 2023	4,000.00	General guarantee	No	No	1 year	No	No	
Shouguang Chenming Import and Export Trade Co., Ltd.	30 March 2023	100,000.00	21 December 2023	15,000.00	General guarantee	No	No	1 year	No	No	
Hainan Chenming Technology Co., Ltd.	30 March 2022	5,000.00	30 March 2023	5,000.00	General guarantee	No	No	1 year	No	No	
Hainan Chenming Technology Co., Ltd.	30 March 2023	100,000.00	10 August 2023	37,200.00	General guarantee	No	No	1 year	No	No	
Chenming (Overseas) Co., Ltd.	30 March 2023	30,000.00			General guarantee	No	No	1 year	No	No	
Nanchang Chenming Arboriculture Development Co., Ltd.	30 March 2023	10,000.00			General guarantee	No	No	1 year	No	No	
Shouguang Chenming Papermaking Machine Co., Ltd.	30 March 2023	5,000.00			General guarantee	No	No	1 year	No	No	
Shouguang Hongxiang Printing and Packaging Co., Ltd.	30 March 2023	5,000.00			General guarantee	No	No	1 year	No	No	
Shouguang Hongyi Decorative Packaging Co., Ltd.	30 March 2023	5,000.00			General guarantee	No	No	1 year	No	No	

VIII Material Matters

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			Counter-guarantee	Term	Fulfilled or not	Guarantee to related parties or not
				Type of guarantee	Collateral					
Shouguang Chenming Modern Logistic Co., Ltd.	30 March 2023	5,000.00		General guarantee	No	No		1 year	No	No
Shandong Grand View Hotel Co., Ltd.	30 March 2023	5,000.00		General guarantee	No	No		1 year	No	No
Foshan Chenming Import and Export Trade Co., Ltd.	30 March 2023	50,000.00		General guarantee	No	No		1 year	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		4,035,000.00	Total amount of guarantee provided for subsidiaries during the reporting period (B2)							1,191,850.64
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		4,238,554.45	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)							1,242,911.13
Guarantees between subsidiaries										
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)			– Total amount of guarantee provided for subsidiaries during the reporting period (C2)							–
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)			– Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)							–
Total amount of guarantee provided (i.e. sum of the above three guarantee amount)										
Total amount of guarantee approved during the reporting period (A1+B1+C1)		4,035,000.00	Total amount of guarantee during the reporting period (A2+B2+C2)							1,191,850.64
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		4,331,312.64	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)							1,327,029.32
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company										79.50%
Of which:										
Balance of guarantee provided for shareholders, beneficial controllers and its related parties (D)										–
Balance of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)										334,927.53
Total amount of guarantee provided in excess of 50% of net assets (F)										492,420.56
Sum of the above three amount of guarantee (D+E+F)										827,348.09
For the unexpired guarantee contract, the guarantee liability has occurred during the reporting period or there is evidence showing that it is possible to bear joint liability for repayment (if any)										No
Providing external guarantees in violation of prescribed procedures (if any)										No

VIII Material Matters

XV. Material contracts and implementation *(Continued)*

3. Entrusted cash and asset management

(1) Entrusted wealth management

Applicable Not applicable

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

(2) Entrusted loans

Applicable Not applicable

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

4. Other material contracts

Applicable Not applicable

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

VIII Material Matters

XVI. Other matters of significance

Applicable Not applicable

1. Payment of corporate bonds of RMB350 million

On 3 April 2023, the Company entrusted the Shenzhen Branch of China Securities Depository & Clearing Co., Ltd. to complete the payment of principal and interest of “18 Chenming Bond 01” of RMB350 million in accordance with the “First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018”. The bond was delisted from the Shenzhen Stock Exchange on the same day.

For details, please refer to the relevant announcement disclosed by the Company on CNINFO on 30 March 2023 (announcement number: 2023-015) and the overseas regulatory announcement disclosed by the Company on the website of Hong Kong Stock Exchange on 30 March 2023.

2. Redemption of perpetual bonds of RMB1 billion

On 11 July 2017, the Company issued the 2017 First Tranche of Medium-term Notes (bond abbreviation: 17 Lu Chenming MTN001, bond code: 101779001) amounting to RMB1 billion with a term of 3+N. According to the “Prospectus of the Company’s 2017 First Tranche of Medium-term Notes”, “17 Lu Chenming MTN001” is subject to the issuer’s redemption option. On 11 May 2023, the Company disclosed the Announcement on Exercise of Redemption Option of Issuer of 2017 First Tranche of Medium-term Notes of Shandong Chenming Paper Holders Limited on Shanghai Clearing House (www.shclearing.com) and China Money (www.chinamoney.com.cn), and redeemed the RMB1 billion perpetual bonds in full on 12 July 2023, with principal and interest payment amounted to RMB1,089.70 million. To date, all the bonds of the Company have been redeemed.

For details, please refer to the relevant announcement disclosed by the Company on CNINFO on 15 July 2023 (announcement number: 2023-049) and the overseas regulatory announcement disclosed by the Company on the website of Hong Kong Stock Exchange on 14 July 2023.

XVI. Other matters of significance *(Continued)*

3. Termination of asset purchase through the issuance of shares and cash payments

On 27 February 2023, the Company convened the 2023 first extraordinary general meeting, the 2023 first class meeting for holders of domestic-listed shares and the 2023 first class meeting for holders of overseas-listed shares, at which the Company considered and approved relevant resolutions including the Report on the Agreement on Asset Purchase through Issuance of Shares and Cash Payments and Connected Transactions (Draft) of the Company. The Company intended to acquire 1.19% equity interests in Shouguang Meilun held by Dongxing Securities Investment Co., Ltd., 44.44% limited partnership share in Chenrong Fund held by Chongqing International Trust Inc. through issuance of shares. The Company's wholly-owned subsidiary, Chenming Investment, intended to acquire 0.22% general partnership interest in Chenrong Fund held by Chenming (Qingdao) Asset Management Co., Ltd. through cash payment. The type of shares to be issued by the Company is A shares, the price of the shares to be issued is RMB4.42 per share, and the number of shares to be issued is 71,841,345 shares.

On 14 March 2023, the Company received the Notice on the Acceptance of Application Documents for Asset Purchase through the Issuance of Shares of Shandong Chenming Paper Holdings Limited (Shen Zheng Shang Shen [2023] No. 259) 《關於受理山東晨鳴紙業集團股份有限公司發行股份購買資產申請文件的通知》(深證上審[2023]259 號)) from the Shenzhen Stock Exchange.

On 29 June 2023, the Company convened the eighth extraordinary general meeting of the tenth session of the Board and the fourth extraordinary general meeting of the tenth session of the Supervisory Committee, at which the Company considered and approved the Resolution on the Termination of the Asset Purchase through Issuance of Shares and Cash Payments and Connected Transactions and Withdrawal of the Application Documents and agreed to terminate the transaction, sign the relevant termination agreement with the counterparty if needed and apply to the Shenzhen Stock Exchange for relevant application documents for the withdrawal of the transaction.

For details, please refer to the relevant announcements disclosed by the Company on CNINFO on 28 February 2023, 16 March 2023 and 30 June 2023 (announcement number: 2023-010, 2023-014, 2023-048) and the relevant announcements disclosed by the Company on the website of Hong Kong Stock Exchange on 27 February 2023, 15 March 2023 and 29 June 2023.

VIII Material Matters

XVI. Other matters of significance *(Continued)*

4. Information disclosure index for 2023 Annual Report

Announcement No.	Subject matter	Date of publication	Publication website and index
2023-001	Announcement on Receipt of Government Subsidies	3 January 2023	http://www.cninfo.com.cn
2023-002	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	19 January 2023	http://www.cninfo.com.cn
2023-003	Announcement on Resolutions of the Sixth Extraordinary Meeting of the Tenth Session of the Board of Directors	20 January 2023	http://www.cninfo.com.cn
2023-004	Announcement on Resolutions of the Third Extraordinary Meeting of the Tenth Session of the Supervisory Committee	20 January 2023	http://www.cninfo.com.cn
2023-005	Notice of the 2023 First Extraordinary General Meeting, 2023 First Class Meeting for Holders of Domestic-listed Shares, and 2023 First Class Meeting for Holders of Overseas-listed Shares	30 January 2023	http://www.cninfo.com.cn
2023-006	Announcement on Effects of Dilution on the Current Earnings Per Share As a Result of the Transaction and Relevant Remedial Arrangement of the Company	20 January 2023	http://www.cninfo.com.cn
2023-007	2022 Annual Results Forecast	31 January 2023	http://www.cninfo.com.cn
2023-008	Announcement on the Continued Pledge of Shares held by Shareholders	11 February 2023	http://www.cninfo.com.cn
2023-009	Reply to the Inquiry Letter on Restructuring from the Shenzhen Stock Exchange	16 February 2023	http://www.cninfo.com.cn
2023-010	Announcement on Resolutions of the 2023 First Extraordinary General Meeting, 2023 First Class Meeting for Holders of Domestic-listed Shares, and 2023 First Class Meeting for Holders of Overseas-listed Shares	28 February 2023	http://www.cninfo.com.cn
2023-011	Self-inspection Report on the Trading of Shares by Insiders on Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction	28 February 2023	http://www.cninfo.com.cn
2023-012	Supplementary Announcement on the Self-inspection Report on the Trading of Shares by Insiders on Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction	7 March 2023	http://www.cninfo.com.cn
2023-013	Announcement on the Continued Pledge of Shares held by Shareholders	11 March 2023	http://www.cninfo.com.cn
2023-014	Announcement on the Acceptance of Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction by the Shenzhen Stock Exchange	16 March 2023	http://www.cninfo.com.cn
2023-015	Shandong Chenming Paper Holdings Limited Announcement on Payment of 2023 Interest and Delisting with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018	30 March 2023	http://www.cninfo.com.cn
2023-016	Announcement on Resolutions of the Fourth Meeting of the Tenth Session of the Board of Directors	31 March 2023	http://www.cninfo.com.cn
2023-017	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Tenth Session of the Supervisory Committee	31 March 2023	http://www.cninfo.com.cn

VIII Material Matters

XVI. Other matters of significance *(Continued)*

4. Information disclosure index for 2023 Annual Report *(Continued)*

Announcement No.	Subject matter	Date of publication	Publication website and index
2023-018	2022 Annual Report Summary	31 March 2023	http://www.cninfo.com.cn
2023-019	Notice of 2022 Annual General Meeting	31 March 2023	http://www.cninfo.com.cn
2023-020	Special Statement on Securities Investment in 2022	31 March 2023	http://www.cninfo.com.cn
2023-021	Announcement on Appointment of Auditor for 2023	31 March 2023	http://www.cninfo.com.cn
2023-022	Announcement on the Development of Equipment Financing Business	31 March 2023	http://www.cninfo.com.cn
2023-023	Announcement on Carrying out Factoring Business of Accounts Receivable	31 March 2023	http://www.cninfo.com.cn
2023-024	Announcement on Expected Provision of Guarantees to Subsidiaries for 2023	31 March 2023	http://www.cninfo.com.cn
2023-025	Special Statement on the Proposed Non-Distribution of Profit for 2022	31 March 2023	http://www.cninfo.com.cn
2023-026	Announcement on Changes in Accounting Policies	31 March 2023	http://www.cninfo.com.cn
2023-027	Announcement on the 2022 Annual Online Performance Briefing	31 March 2023	http://www.cninfo.com.cn
2023-028	Announcement on Receiving the Notice on Suspending the Review of Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction from the Shenzhen Stock Exchange	1 April 2023	http://www.cninfo.com.cn
2023-029	Supplementary Notice of 2022 Annual General Meeting	1 April 2023	http://www.cninfo.com.cn
2023-030	Announcement on Resolutions of the Seventh Extraordinary Meeting of the Tenth Session of the Board of Directors	20 April 2023	http://www.cninfo.com.cn
2023-031	Announcement on the Operational Property-secured Loan by a Subsidiary and Provision of Guarantee therefor	20 April 2023	http://www.cninfo.com.cn
2023-032	Notice of the 2023 Second Extraordinary General Meeting	20 April 2023	http://www.cninfo.com.cn
2023-033	Announcement on the Continued Pledge of Shares held by Shareholders	22 April 2023	http://www.cninfo.com.cn
2023-034	Announcement on Application for Resumption of Review of Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction	25 April 2023	http://www.cninfo.com.cn
2023-035	Announcement on Receiving the Notice of Resumption of Review from the Shenzhen Stock Exchange	26 April 2023	http://www.cninfo.com.cn
2023-036	Announcement on Signing a Strategic Cooperation Agreement with China Construction Bank Shandong Branch	26 April 2023	http://www.cninfo.com.cn
2023-037	Announcement on the Meeting Arrangements for the Review of Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction by the Listing Review Center of the Shenzhen Stock Exchange	26 April 2023	http://www.cninfo.com.cn
2023-038	Announcement on Receiving the Opinion Implementation Letter from the Listing Review Center of the Shenzhen Stock Exchange	28 April 2023	http://www.cninfo.com.cn

VIII Material Matters

XVI. Other matters of significance *(Continued)*

4. Information disclosure index for 2023 Annual Report *(Continued)*

Announcement No.	Subject matter	Date of publication	Publication website and index
2023-039	Announcement on Resolutions of the Fifth Meeting of the Tenth Session of the Board of Directors	29 April 2023	http://www.cninfo.com.cn
2023-040	Announcement on Resolutions of the Fifth Meeting of the Tenth Session of the Supervisory Committee	29 April 2023	http://www.cninfo.com.cn
2023-041	2023 First Quarterly Report	29 April 2023	http://www.cninfo.com.cn
2023-042	Announcement on Signing of the Agreement on the Recovery of State-owned Construction Land Use Right signed by Wuhan Chenming	29 April 2023	http://www.cninfo.com.cn
2023-043	Announcement on Resolutions of the 2023 Second Extraordinary General Meeting	9 May 2023	http://www.cninfo.com.cn
2023-044	Announcement on Resolutions of 2022 Annual General Meeting	13 May 2023	http://www.cninfo.com.cn
2023-045	Announcement on Safety Accidents Occurred by the Slurry Residue Outsourcing Entity of a Subsidiary	25 May 2023	http://www.cninfo.com.cn
2023-046	Announcement on Resolutions of the Eighth Extraordinary Meeting of the Tenth Session of the Board of Directors	30 June 2023	http://www.cninfo.com.cn
2023-047	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Tenth Session of the Supervisory Committee	30 June 2023	http://www.cninfo.com.cn
2023-048	Announcement on Termination and Withdrawal of Application Documents for Asset Purchase Through Issuance of Shares and Cash Payments	30 June 2023	http://www.cninfo.com.cn
2023-049	Announcement on Completion of Payment for 2017 First Tranche of Medium-term Notes	15 July 2023	http://www.cninfo.com.cn
2023-050	Announcement on Self-Inspection Report of Insider Trading in Respect of the Termination of Share Issuance and Cash Payments for Asset Purchase	15 July 2023	http://www.cninfo.com.cn
2023-051	2023 Interim Results Forecast	15 July 2023	http://www.cninfo.com.cn
2023-052	Announcement on the Continued Pledge of Shares held by Shareholders	15 July 2023	http://www.cninfo.com.cn
2023-053	Announcement on Resolutions of the Ninth Extraordinary Meeting of the Tenth Session of the Board of Directors	18 July 2023	http://www.cninfo.com.cn
2023-054	Announcement on Resolutions of the Fifth Extraordinary Meeting of the Tenth Session of the Supervisory Committee	18 July 2023	http://www.cninfo.com.cn
2023-055	Announcement on Failing to Fulfil the Unlocking Conditions for the Second Unlocking Period Under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares	18 July 2023	http://www.cninfo.com.cn
2023-056	Review Opinions on the Unlocking Conditions for the Second Unlocking Period Under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares of the Supervisory Committee	18 July 2023	http://www.cninfo.com.cn
2023-057	Announcement on Repurchase and Cancellation of Certain Restricted Shares and Notice to Creditors	18 July 2023	http://www.cninfo.com.cn
2023-058	Announcement on Risks in Relation to the Ownership of B Shares and H Shares Held by the Controlling Shareholder	18 July 2023	http://www.cninfo.com.cn
2023-059	Announcement on the Release of Pledge of Shareholders' Shares	26 July 2023	http://www.cninfo.com.cn

VIII Material Matters

XVI. Other matters of significance *(Continued)*

4. Information disclosure index for 2023 Annual Report *(Continued)*

Announcement No.	Subject matter	Date of publication	Publication website and index
2023-060	Announcement on Continued Pledge of Shares held by Shareholders	29 July 2023	http://www.cninfo.com.cn
2023-061	Announcement on Continued Pledge of Shares held by Shareholders	11 August 2023	http://www.cninfo.com.cn
2023-062	Announcement on the Progress of Litigation	19 August 2023	http://www.cninfo.com.cn
2023-063	Announcement on Pledge of Shareholders' Shares	29 August 2023	http://www.cninfo.com.cn
2023-064	Announcement of Resolutions of the Board of Directors on Interim Report	31 August 2023	http://www.cninfo.com.cn
2023-065	Announcement of Resolutions of the Supervisory Committee on Interim Report	31 August 2023	http://www.cninfo.com.cn
2023-066	2023 Interim Report Summary	31 August 2023	http://www.cninfo.com.cn
2023-067	Announcement on Resolutions of the Tenth Extraordinary Meeting of the Tenth Session of the Board of Directors	9 September 2023	http://www.cninfo.com.cn
2023-068	Announcement on Partial Disposal of Equity Interest in Wuhan Chenming	9 September 2023	http://www.cninfo.com.cn
2023-069	Announcement on Provision of External Financial Assistance upon the Disposal of Equity Interest in Wuhan Chenming	9 September 2023	http://www.cninfo.com.cn
2023-070	Notice of 2023 Third Extraordinary General Meeting	9 September 2023	http://www.cninfo.com.cn
2023-071	Announcement on Resolutions of the Eleventh Extraordinary Meeting of the Tenth Session of the Board of Directors	21 September 2023	http://www.cninfo.com.cn
2023-072	Announcement on Capital Increase and Introduction of Strategic Investors of a Majority-owned Subsidiary	21 September 2023	http://www.cninfo.com.cn
2023-073	Announcement on Resolution of the 2023 Third Extraordinary General Meeting	27 September 2023	http://www.cninfo.com.cn
2023-074	Announcement on Resolutions of the Twelfth Extraordinary Meeting of the Tenth Session of the Board of Directors	9 October 2023	http://www.cninfo.com.cn
2023-075	Announcement on Change of General Manager of the Company	9 October 2023	http://www.cninfo.com.cn
2023-076	2023 Third Quarterly Report	31 October 2023	http://www.cninfo.com.cn
2023-077	Announcement on Continued Pledge of Shares held by Shareholders	4 November 2023	http://www.cninfo.com.cn
2023-078	Announcement on Completion of Repurchase and Cancellation of Certain Restricted Shares	23 November 2023	http://www.cninfo.com.cn
2023-079	Announcement on Continued Pledge of Shares held by Shareholders	25 November 2023	http://www.cninfo.com.cn
2023-080	Announcement on Resolutions of the Thirteenth Extraordinary Meeting of the Tenth Session of the Board of Directors	29 November 2023	http://www.cninfo.com.cn
2023-081	Announcement on the Disposal of Equity Interest in Investee	29 November 2023	http://www.cninfo.com.cn
2023-082	Announcement on Adjustment to Amount of Guarantee Between Subsidiaries	15 December 2023	http://www.cninfo.com.cn
2023-083	Announcement on Pledge of Shareholders' Shares	22 December 2023	http://www.cninfo.com.cn
2023-084	Announcement on Progress of the Disposal of Equity Interest in Investee	27 December 2023	http://www.cninfo.com.cn
2023-085	Announcement on Pledge of Shareholders' Shares	30 December 2023	http://www.cninfo.com.cn

VIII Material Matters

XVII. Matters of significant of subsidiaries of the Company

Applicable Not applicable

1. Introduction of strategic investors by Zhanjiang Chenming

On 20 September 2023, the Company convened the eleventh extraordinary meeting of the tenth session of the Board, at which the Proposal on Capital Contribution and Introduction of Strategic Investors of a Controlling Subsidiary was considered and approved. Given the promising development prospects of Zhanjiang Chenming, a controlling subsidiary of the Company, and the high recognition of the pulp and paper integration strategic layout, Shandong Caixin Investment Co., Ltd., a wholly-owned subsidiary of Shandong key state-owned enterprise Shandong Caixin Asset Operation Co., Ltd., made capital contribution to Zhanjiang Chenming in the amount of RMB300 million.

For details, please refer to the relevant announcement disclosed by the Company published on CNINFO on 21 September 2023 (announcement no.: 2023-072) and the overseas regulatory announcement disclosed on the website of Hong Kong Stock Exchange on 20 September 2023.

2. Business status of Chenming Leasing

At present, the Company focuses on the development of its principal activities, i.e. pulp production and paper making, and continues to reduce the size of the financial leasing business. As at the end of the reporting period, the balance of financial leases of Chenming Leasing decreased to RMB4.8 billion. As affected by the macro-economic condition, some clients experienced short-term operational difficulties. some financial lease receivables were overdue with the overdue principals amounting to RMB1,440 million, for which provisions of RMB430 million were made, and a provision coverage rate of 29.9%. Certain assets have been seized through litigation. The Company has resorted to, among other things, control of the underlying assets, litigation for seizure, recovery for guarantors and debt reconstruction with the overall risks under control.

IX Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)				Closing balance		
	Amount	Percentage	New issue	Bonus issue	Shares converted from reserves	Others	Subtotal	Amount	Percentage
I. Restricted shares	61,489,837	2.06%				-24,911,250	-24,911,250	36,578,587	1.24%
1. Shares held by other domestic investors	61,489,837	2.06%				-24,911,250	-24,911,250	36,578,587	1.24%
Including: Shares held by domestic natural persons	61,489,837	2.06%				-24,911,250	-24,911,250	36,578,587	1.24%
II. Non-restricted shares	2,918,252,363	97.94%				1,982,250	1,982,250	2,920,234,613	98.76%
1. RMB ordinary shares	1,683,561,847	56.50%				1,982,250	1,982,250	1,685,544,097	57.00%
2. Domestic listed foreign shares	706,385,266	23.71%						706,385,266	23.89%
3. Overseas listed foreign shares	528,305,250	17.73%						528,305,250	17.87%
III. Total number of shares	2,979,742,200	100.00%				-22,929,000	-22,929,000	2,956,813,200	100.00%

The reasons for such changes

Applicable Not applicable

The Shenzhen Branch of China Securities Depository and Clearing Corporation Limited recalculated the statutory quota of transferable shares for the Directors, Supervisors and Senior Management of the Company this year at 25% on the first trading day of this year based on the shares of the Company registered under the names of its Directors, Supervisors and Senior Management on the last trading day of the previous year, resulting in a reduction of 1,982,250 RMB ordinary shares in the locked shares of Senior Management and an increase of 1,982,250 RMB ordinary shares in restricted shares. Pursuant to the 2020 Restricted A Share Incentive Scheme (Draft), a total of 22,929,000 restricted A shares that have granted to participants but not yet unlocked were repurchased and cancelled, resulting in a reduction of 22,929,000 shares in both restricted shares and total number of shares.

IX Changes in Share Capital and Shareholders

I. Changes in shares *(Continued)*

1. Changes in shares *(Continued)*

Approval of changes in shareholding

Applicable Not applicable

On 17 July 2023, the Company convened the ninth extraordinary meeting of the tenth session of the Board and the fifth extraordinary meeting of the tenth session of the Supervisory Committee, at which the Resolution on the Failure Fulfilment of the Unlocking Conditions for the Second Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares was considered and approved. The results for 2022 of the Company failed to pass the performance appraisal targets at company level set for the second unlocking period as set out in the 2020 Restricted A Share Incentive Scheme (Draft) and the Assessment Management Measures for the 2020 Restricted A Shares Incentive Scheme. Meanwhile, 5 participants lost their incentive qualification due to their resignation. The Board of the Company repurchased and cancelled 22,929,000 restricted A shares of the participants that have been granted but not yet unlocked, representing 28.81% of the total number of shares granted under the 2020 Restricted A Share Incentive Scheme.

On 20 November 2023, the Company completed the repurchase and cancellation of 22,929,000 restricted A shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Transfer of shares arising from changes in shareholding

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

IX Changes in Share Capital and Shareholders

I. Changes in shares *(Continued)*

2. Changes in restricted shares

Applicable Not applicable

Unit: share

Name of shareholders	Restricted shares at the beginning of period	Restricted shares released during the period	Restricted shares increased during the period	Restricted shares at the end of period	Reason for restriction	Date of release from restriction
Chen Hongguo	23,310,033	0	6,000,000	17,310,033	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	20 November 2023
Hu Changqing	3,782,143	0	2,250,000	1,532,143	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	750,000 locked-up shares of Directors, Supervisors and Senior Management were released on 3 January 2023; 1,500,000 restricted shares under the Equity Incentive Scheme completed registration for repurchase and cancellation on 20 November 2023.
Li Xingchun	3,750,000	0	1,500,000	2,250,000	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	20 November 2023
Li Feng	2,929,520	0	1,350,000	1,579,520	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	450,000 locked-up shares of Directors, Supervisors and Senior Management were released on 3 January 2023; 900,000 restricted shares under the Equity Incentive Scheme completed registration for repurchase and cancellation on 20 November 2023.
Li Weixian	1,560,900	0	957,300	603,600	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	357,300 locked-up shares of Directors, Supervisors and Senior Management were released on 3 January 2023; 600,000 restricted shares under the Equity Incentive Scheme completed registration for repurchase and cancellation on 20 November 2023.
Li Kang	111,975	0	0	111,975	Locked-up shares of Directors, Supervisors and Senior Management	In accordance with relevant requirements for shares held by Directors, Supervisors and Senior Management
Li Xueqin	2,895,991	0	900,000	1,995,991	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	20 November 2023

IX Changes in Share Capital and Shareholders

I. Changes in shares *(Continued)*

2. Changes in restricted shares *(Continued)*

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
Li Zhenzhong	1,584,750	0	724,950	859,800	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	124,950 locked-up shares of Directors, Supervisors and Senior Management were released on 3 January 2023; 600,000 restricted shares under the Equity Incentive Scheme completed registration for repurchase and cancellation on 20 November 2023.
Li Mingtang	750,000	0	450,000	300,000	Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	150,000 locked-up shares of Directors, Supervisors and Senior Management were released on 3 January 2023; 300,000 restricted shares under the Equity Incentive Scheme completed registration for repurchase and cancellation on 20 November 2023.
Dong Lianming	750,000	0	450,000	300,000	Restricted shares of the participants of the Share Incentive Scheme	150,000 locked-up shares of Directors, Supervisors and Senior Management were released on 3 January 2023; 300,000 restricted shares under the Equity Incentive Scheme completed registration for repurchase and cancellation on 20 November 2023.
Yuan Xikun	258,525	0	90,000	168,525	Restricted shares of the participants of the Share Incentive Scheme	20 November 2023
Other 88 participants under the 2020 Restricted A Share Incentive Scheme other than the aforementioned directors and senior management	19,806,000	0	10,239,000	9,567,000	Restricted shares of the participants of the Share Incentive Scheme	20 November 2023
Total	61,489,837	0	24,911,250	36,578,587	—	—

IX Changes in Share Capital and Shareholders

II. Issuance and listing of securities

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

Applicable Not applicable

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

Applicable Not applicable

On 17 July 2023, the Company convened the ninth extraordinary meeting of the tenth session of the Board and the fifth extraordinary meeting of the tenth session of the Supervisory Committee, at which the Resolution on the Failure Fulfilment of the Unlocking Conditions for the Second Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares was considered and approved. On 20 November 2023, the Company completed the registration for the repurchase and cancellation of certain restricted shares that have been granted to 98 participants but not yet unlocked under the 2020 Restricted A Share Incentive Scheme. A total of 22,929,000 A shares were repurchased and cancelled. The total number of shares of the Company changed to 2,956,813,200 shares from 2,979,742,200, and there was no change in controlling shareholder of the Company. Upon the repurchase and cancellation of 22,929,000 A shares, there was no change on net assets, while both assets and liabilities decreased by RMB66.2288 million.

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	142,995, of which 121,718 were holders of A shares, 20,954 were holders of B shares and 323 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	140,889, of which 119,803 were holders of A shares, 20,763 were holders of B shares and 323 were holders of H shares	Total number of holders of preference shares with restore voting right as at the end of the reporting period	0	Total number of holders of preference shares with restored voting right as at the end of the month prior to the disclosure date of the annual report	0
---	--	--	--	--	---	--	---

Shareholdings of shareholders interested in more than 5% of the shares of the Company or Top 10 shareholders (excluding the shares lent under refinancing business)

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	15.47%	457,322,919	0	0	457,322,919	Pledged	268,994,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.63%	373,461,275	72,650	0	373,461,275		
CHENMING HOLDINGS (HONG KONG) LIMITED (Note 1)	Overseas legal person	12.32%	364,131,563	0	0	364,131,563		
Hong Zejun	Domestic natural person	1.19%	35,300,000	-41,400,000	0	35,300,000		
Chen Hongguo	Domestic natural person	0.85%	25,080,044	-6,000,000	17,310,033	7,770,011		
SHANDONG SUN HOLDINGS GROUP CO., LTD.	Domestic non-state-owned legal person	0.85%	24,987,117	0	0	24,987,117		
China Merchants Securities (HK) Co., Limited	Overseas legal person	0.71%	20,972,258	10,432,024	0	20,972,258		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.50%	14,852,146	163,800	0	14,852,146		
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	0.38%	11,251,780	-6,460,301	0	11,251,780		
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 and chairman of Chenming Holdings Company Limited. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.							
Explanation of the aforementioned shareholders' entrusted/entrusted voting rights and waiver of voting rights	Nil							
Special explanation for designated repurchase accounts among the top ten shareholders	Nil							

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

1. Total number of shareholders and shareholdings (Continued)

Name of shareholder	Shareholdings of the top ten non-restricted shareholders		Class of shares	Number
	Number of non-restricted shares held as at the end of the reporting period	Class of shares		
CHENMING HOLDINGS COMPANY LIMITED	457,322,919	RMB ordinary shares		457,322,919
HKSCC NOMINEES LIMITED	373,461,275	Overseas listed foreign shares		373,461,275
CHENMING HOLDINGS (HONG KONG) LIMITED (Note 1)	364,131,563	Domestic listed foreign shares		210,717,563
		Overseas listed foreign shares		153,414,000
Hong Zejun	35,300,000	RMB ordinary shares		35,300,000
SHANDONG SUN HOLDINGS GROUP CO., LTD.	24,987,117	RMB ordinary shares		24,987,117
China Merchants Securities (HK) Co., Limited	20,972,258	Domestic listed foreign shares		20,972,258
VANGUARD EMERGING MARKETS STOCK INDEX FUND	14,852,146	Domestic listed foreign shares		14,852,146
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,771,945	Domestic listed foreign shares		14,771,945
HONG KONG SECURITIES CLEARING COMPANY LIMITED	11,251,780	RMB ordinary shares		11,251,780
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	6,252,684	Domestic listed foreign shares		6,252,684
Related party relationship or acting in concert among the top ten shareholders of non-restricted shares, and between the top ten shareholders of non-restricted shares and the top ten shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Chenming Holdings Company Limited, which is a state-owned legal person. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.			
Securities margin trading of top ten ordinary Shareholders	Chenming Holdings Company Limited held 457,322,919 RMB ordinary shares, of which 326,322,919 shares were held through ordinary account and 131,000,000 shares were held through credit guarantee security account; Hong Zejun held 35,300,000 RMB ordinary shares, of which no share was held through ordinary account and 35,300,000 shares were held through credit guarantee security account; Shandong Sun Holdings Group Co., Ltd. held 24,987,117 RMB ordinary shares, of which no share was held through ordinary account and 24,987,117 shares were held through credit guarantee security account.			

Note 1: In order to meet its own capital needs, Chenming Holdings (Hong Kong) Limited conducted share financing business with overseas institutions, entrusting 210,717,563 B shares and 153,414,000 H shares of the Company held by it to the custody brokerage designated by overseas institutions. The aforesaid shares were subject to the risk of not to be recovered, which may lead to a reduction in the Company's shareholding, but does not affect Chenming Holdings' position as the largest shareholder, and does not affect the Company's control. For details, please refer to the announcement disclosed by the Company on CNINFO on 18 July 2023 (announcement no.: 2023-058) and the insider information disclosed by the Company on the website of Hong Kong Stock Exchange on 18 July 2023.

Share lending by top 10 shareholders under refinancing business

Applicable Not applicable

Changes in top 10 shareholders as compared to prior period

Applicable Not applicable

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers *(Continued)*

1. Total number of shareholders and shareholdings *(Continued)*

Changes in top 10 shareholders as compared to prior period *(Continued)*

Unit: share

Name of shareholder (full name)	Addition/exit during the reporting period	Changes in top 10 shareholders as compared to prior period		Shareholding under ordinary account and credit account and the number of shares lent out but not yet returned under refinancing arrangement as at the end of the period	
		Number of shares lent out but not yet returned under refinancing arrangement as at the end of the period		Percentage of	
		Total	Percentage of total share capital	Total	Percentage of total share capital
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	Exit	0.00	0.00%	6,252,684	0.00%
China Merchants Securities (HK) Co., Limited	Addition	0.00	0.00%	20,972,258	0.00%

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

Yes No

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

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

2. Controlling shareholders of the Company

Nature of controlling shareholder: regional state-owned enterprise

Type of controlling shareholder: legal person

Name of controlling shareholders	Legal representative/ Person in charge of the unit	Date of establishment	Enterprise code	Principal business
CHENMING HOLDINGS COMPANY LIMITED	Chen Hongguo	30 December 2005	91370783783485189Q	Investment in paper making, electricity, heat and arboriculture by its own capital.

Shareholdings of controlling shareholders who have control or hold shares in other domestic or overseas listed companies during the reporting period

Save for the Company, Chenming Holdings Company Limited is indirectly interested in 10.16% equity interest in Zhejiang Kingland Pipeline and Technologies Co., Ltd.

Change of controlling shareholders during the reporting period

Applicable Not applicable

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

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

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

Type of the beneficial controller: legal person

Name of beneficial controller	Legal representative/ Person in charge of the unit	Date of establishment	Enterprise code	Principal business
State-owned Assets Supervision and Administration Bureau of Shouguang City	N/A	1 August 1991	N/A	Responsible for the management and capital operation of the state-owned assets of enterprises and business units in Shouguang city.

Shareholdings of beneficial controller who has control or holds shares in other domestic or overseas listed companies during the reporting period

Save for the Company, State-owned Assets Supervision and Administration Office of Shouguang City is also the beneficial controller of Shandong Molong Petroleum Machinery Co. Ltd. and Zhejiang Kingland Pipeline and Technologies Co., Ltd.

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

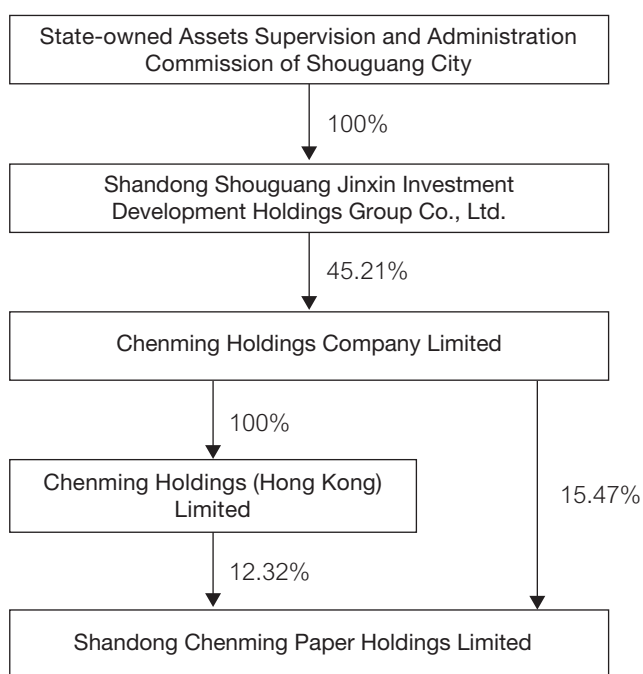
3. Beneficial controller of the Company and persons acting in concert (Continued)

Change of beneficial controller during the reporting period

Applicable Not applicable

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

Chart illustrating the relationship between the Company and the beneficial controller



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

Applicable Not applicable

IX Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers *(Continued)*

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

IV. The implementation of share repurchase during the reporting period

Progress of share repurchase

Applicable Not applicable

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

Applicable Not applicable

X Preference Shares

Applicable Not applicable

The Company had no preference shares during the reporting period.



XI Bonds

Applicable Not applicable

XII Financial Report

I. Auditors' Report

Type of auditor's opinion	Standard and unqualified opinions
The date of the audit report signed	28 March 2024
Name of the auditor	Grant Thornton (Special General Partnership)
Reference number of the auditor's report	Zhi Tong Shen Zi (2024) No. 371A005892
Name of certified public accountants	Jiang Tao and Guo Dongmei

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 2023, 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 2023 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 2023 and of its consolidated and the Company's operating results and cash flows for 2023.

II. Basis of opinions

We have conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the responsibilities of certified public accountants for the audit of the financial statements section of the auditor's report. We are independent of Chenming Paper in accordance with the ethical codes of Chinese certified public accountants, and we have fulfilled our other ethical responsibilities in accordance with the codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

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

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

For detailed disclosures of relevant information, please see note V. 13 and note VII. 8 of the financial statements.

1. **Details**

The inventory balance of Chenming Paper as at the end of 2023 was RMB4,977,238,900, of which the balance of raw materials, work in progress and goods in stock related to machine-made paper business was RMB3,493,260,800, with a provision for impairment of inventories of RMB19,060,900 and a carrying value of RMB3,474,199,900. As at the balance sheet date, inventories of machine-made paper are measured at the lower of cost or net realisable value by the management of Chenming Paper (the “management”), and provision for impairment of inventories is made on the basis of the excess of the cost of an individual inventory over its net realisable value. The management determines the estimated selling price based on historical selling prices, contracted selling prices, etc., taking into account the purpose for which the inventories are held, and the net realisable value of inventories is determined by deducting the estimated costs to be incurred to completion, estimated selling expenses and related taxes from the estimated selling price.

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

2. **Application for auditing**

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

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

(ii) Recognition of revenue from machine-made paper

For detailed disclosures of relevant information, please see note V. 30 and note VII. 48 of the financial statements.

1. Details

For the year 2023, Chenming Paper achieved operating revenue of RMB26,608,570,200, of which RMB23,892,883,800 was from machine-made paper and pulp, accounting for 89.79% of the operating revenue. For domestic machine-made paper sales business, Chenming Paper recognised the revenue after the goods were delivered and signed by the customer for confirmation; for foreign machine-made paper sales business, Chenming Paper recognised the revenue after the goods were loaded on board and declared.

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

2. Application for auditing

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

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

IV. Other information

The management of Chenming Paper is responsible for other information. Other information includes the information covered in the 2023 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.

XII Financial Report

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

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

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

XII Financial Report

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
(Project Partner)

Chinese Certified Public Accountant

Beijing, China

28 March 2024

XII Financial Report

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 2023

Unit: RMB

Item	31 December 2023	31 December 2022
CURRENT ASSETS:		
Monetary funds	12,124,832,831.30	14,000,434,986.08
Financial assets held for trading	46,294,291.71	74,708,444.88
Bills receivable	411,600,000.00	–
Accounts receivable	2,528,507,059.83	3,212,260,445.96
Accounts receivable financing	215,884,249.97	924,960,384.16
Prepayments	825,135,156.21	788,191,626.82
Other receivables	2,224,904,557.88	1,717,445,443.44
Including: Interest receivable	–	–
Dividend receivable	–	–
Inventories	4,958,178,000.36	6,821,916,159.95
Non-current assets due within one year	4,161,725,935.75	3,998,724,415.85
Other current assets	1,068,826,944.78	1,180,807,801.62
Total current assets	28,565,889,027.79	32,719,449,708.76

XII Financial Report

Item	31 December 2023	31 December 2022
NON-CURRENT ASSETS:		
Long-term receivables	339,293,533.35	1,486,807,783.47
Long-term equity investments	4,685,199,385.73	4,277,013,369.56
Other non-current financial assets	781,561,040.57	786,750,761.62
Investment property	6,049,242,696.36	6,256,723,113.15
Fixed assets	33,186,248,169.56	33,797,738,695.30
Construction in progress	859,617,965.16	558,866,880.36
Bearer biological assets	17,684,687.36	13,697,336.80
Right-of-use assets	167,815,311.50	181,614,699.25
Intangible assets	2,002,360,891.85	1,831,338,830.92
Goodwill	35,220,543.80	26,946,905.38
Long-term prepaid expenses	39,979,161.49	44,462,851.45
Deferred income tax assets	1,689,857,881.49	1,335,700,565.60
Other non-current assets	1,067,082,657.57	983,905,908.00
Total non-current assets	50,921,163,925.79	51,581,567,700.86
Total assets	79,487,052,953.58	84,301,017,409.62

XII Financial Report

Item	31 December 2023	31 December 2022
CURRENT LIABILITIES:		
Short-term borrowings	33,475,479,021.62	36,385,048,295.02
Bills payable	4,618,986,463.95	3,128,595,835.04
Accounts payable	3,902,620,870.20	4,114,966,767.76
Receipts in advance	16,242,921.65	14,261,436.67
Contract liabilities	1,443,680,155.62	1,306,029,389.80
Employee benefits payable	74,337,158.44	144,925,887.00
Taxes payable	99,709,707.56	261,011,669.09
Other payables	2,414,752,127.19	1,870,403,909.17
Including: Interest payable		15,895,930.51
Dividend payable	–	–
Non-current liabilities due within one year	3,631,937,677.82	4,673,505,241.86
Other current liabilities	100,000,000.00	–
Total current liabilities	49,777,746,104.05	51,898,748,431.41

XII Financial Report

Item	31 December 2023	31 December 2022
NON-CURRENT LIABILITIES:		
Long-term borrowings	4,681,014,489.64	3,982,236,251.08
Lease liabilities	41,987,022.85	53,596,047.46
Long-term payables	2,541,095,217.66	3,160,771,126.31
Deferred income	1,337,864,114.70	1,469,230,468.46
Deferred income tax liabilities	9,490,159.05	8,181,264.29
Other non-current liabilities	–	–
Total non-current liabilities	8,611,451,003.90	8,674,015,157.60
Total liabilities	58,389,197,107.95	60,572,763,589.01

XII Financial Report

Item	31 December 2023	31 December 2022
OWNERS' EQUITY:		
Share capital	2,956,813,200.00	2,979,742,200.00
Other equity instruments	–	996,000,000.00
Including: Preference shares	–	–
Perpetual Bonds	–	996,000,000.00
Capital reserves	5,328,790,899.61	5,361,200,522.29
Less: Treasury shares	63,432,450.00	128,780,100.00
Other comprehensive income	-864,881,489.08	-821,940,694.57
Special reserves	23,322,829.57	15,791,710.95
Surplus reserves	1,212,009,109.97	1,212,009,109.97
General risk provisions	79,370,294.91	79,900,268.71
Retained profit	8,020,182,801.55	9,390,642,477.57
Total equity attributable to owners of the Company	16,692,175,196.53	19,084,565,494.92
Minority interest	4,405,680,649.10	4,643,688,325.69
Total owners' equity	21,097,855,845.63	23,728,253,820.61
Total liabilities and owners' equity	79,487,052,953.58	84,301,017,409.62

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 2023	31 December 2022
CURRENT ASSETS:		
Monetary funds	4,421,608,897.40	5,661,807,164.72
Bills receivable	3,024,868,267.23	3,482,822,426.80
Accounts receivable	28,216,771.01	134,755,527.73
Prepayments	476,746,114.74	375,206,833.58
Other receivables	9,237,241,240.86	9,337,019,470.13
Including: Interest receivable	–	–
Dividend receivable	–	–
Inventories	554,028,121.69	692,338,698.67
Non-current assets due within one year	3,428,684.19	13,434,710.01
Other current assets	62,834,527.02	86,159,558.49
Total current assets	17,808,972,624.14	19,783,544,390.13

XII Financial Report

Item	31 December 2023	31 December 2022
NON-CURRENT ASSETS:		
Long-term receivables	12,485,720.05	15,914,404.25
Long-term equity investments	18,298,999,830.51	18,826,163,036.33
Other non-current financial assets	122,462,024.19	123,750,761.62
Fixed assets	3,415,454,701.17	3,654,340,361.49
Construction in progress	38,707,761.30	24,865,009.58
Intangible assets	476,297,197.96	490,533,559.72
Deferred income tax assets	571,194,789.79	518,171,288.92
Other non-current assets	12,692,260.70	986,260.70
Total non-current assets	22,948,294,285.67	23,654,724,682.61
Total assets	40,757,266,909.81	43,438,269,072.74

XII Financial Report

Item	31 December 2023	31 December 2022
CURRENT LIABILITIES:		
Short-term borrowings	13,172,491,176.11	12,885,183,530.81
Bills payable	6,699,118,643.16	9,455,780,407.30
Accounts payable	1,817,323,321.03	1,288,578,359.05
Contract liabilities	1,454,807,158.83	1,503,256,921.15
Employee benefits payable	38,778,024.93	65,349,838.50
Taxes payable	9,022,105.28	11,729,028.39
Other payables	1,412,965,873.90	1,856,098,294.14
Including: Interest payable	–	15,895,930.51
Dividend payable	–	–
Non-current liabilities due within one year	734,311,029.42	1,171,869,377.78
Total current liabilities	25,338,817,332.66	28,237,845,757.12

XII Financial Report

Item	31 December 2023	31 December 2022
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,795,000,000.00	1,698,253,561.10
Long-term payables	1,281,983,636.99	150,911,348.00
Deferred income	31,530,836.20	33,251,328.04
Total non-current liabilities	3,108,514,473.19	1,882,416,237.14
Total liabilities	28,447,331,805.85	30,120,261,994.26

XII Financial Report

Item	31 December 2023	31 December 2022
OWNERS' EQUITY:		
Share capital	2,956,813,200.00	2,979,742,200.00
Other equity instruments	–	996,000,000.00
Including: Preference shares	–	–
Perpetual Bonds	–	996,000,000.00
Capital reserves	5,073,338,869.19	5,147,225,041.11
Less: Treasury shares	63,432,450.00	128,780,100.00
Special reserves	4,612,641.99	2,066,138.15
Surplus reserves	1,199,819,528.06	1,199,819,528.06
Retained profit	3,138,783,314.72	3,121,934,271.16
Total owners' equity	12,309,935,103.96	13,318,007,078.48
Total liabilities and owners' equity	40,757,266,909.81	43,438,269,072.74

XII Financial Report

3. Consolidated Income Statement

Unit: RMB

Item	2023	2022
I. Total revenue	26,608,570,228.20	32,004,367,320.91
Including: Revenue	26,608,570,228.20	32,004,367,320.91
II. Total operating costs	28,768,694,490.76	32,046,430,688.65
Including: Revenue	24,445,486,299.93	27,373,725,707.00
Taxes and surcharges	227,802,365.12	243,139,315.06
Sales and distribution expenses	230,999,637.43	242,181,274.09
General and administrative expenses	690,319,782.01	750,546,703.34
Research and development expense	1,164,419,698.13	1,290,281,540.10
Finance expenses	2,009,666,708.14	2,146,556,149.06
Including: Interest expenses	1,908,394,881.89	2,081,067,895.66
Interest income	201,101,017.34	309,987,478.19
Plus: Other income	337,324,331.43	242,223,168.86
Investment income (“-” denotes loss)	505,067,035.78	-76,042,787.35
Including: Investment income from associates and joint ventures	128,934,922.00	24,116,757.95
Gains on derecognition of financial assets measured at amortised cost (“-” denotes loss)	-99,744,741.95	-137,464,855.58
Gain on change in fair value (“-” denotes loss)	-25,555,304.50	-25,253,928.81
Credit impairment loss (“-” denotes loss)	-319,956,249.39	-86,076,968.56
Loss on impairment of assets (“-” denotes loss)	-45,007,299.22	-17,659,966.20
Gain on disposal of assets (“-” denotes loss)	14,607,428.91	161,092,513.76
III. Operating profit (“-” denotes loss)	-1,693,644,319.55	156,218,663.96
Plus: Non-operating income	2,998,769.41	77,248,685.76
Less: Non-operating expenses	19,058,851.67	51,198,001.72
IV. Total profit (“-” denotes total loss)	-1,709,704,401.81	182,269,348.00
Less: Income tax expenses	-383,061,983.95	-135,093,343.41

XII Financial Report

Item	2023	2022
V. Net profit (“-” denotes net loss)	-1,326,642,417.86	317,362,691.41
(i) Classification according to the continuity of operation		
1. Net profit from continuing operations (“-” denotes net loss)	-1,326,642,417.86	317,362,691.41
2. Net profit from discontinued operations (“-” denotes net loss)	-	-
(ii) Classification according to ownership		
1. Net profit attributable to shareholders of the Company	-1,281,289,649.82	189,290,120.82
2. Profit or loss of minority interest	-45,352,768.04	128,072,570.59
VI. Net other comprehensive income after tax	-42,940,794.51	-376,357,965.21
Net other comprehensive income after tax attributable to owners of the Company	-42,940,794.51	-376,357,965.21
(i) Other comprehensive income that cannot be reclassified to profit and loss	-	-
(ii) Other comprehensive income that will be reclassified to profit and loss	-42,940,794.51	-376,357,965.21
1. Exchange differences arising from translation of financial statements denominated in foreign currencies	-41,716,787.49	-376,954,395.08
2. Other comprehensive income that may be reclassified to profit and loss under the equity method	-1,224,007.02	596,429.87
Other comprehensive income, net of tax attributable to minority interest	-	-
VII. Total comprehensive income	-1,369,583,212.37	-58,995,273.80
Total comprehensive income attributable to shareholders of the Company	-1,324,230,444.33	-187,067,844.39
Total comprehensive income attributable to minority interest	-45,352,768.04	128,072,570.59
VIII. Earnings per share		
(i) Basic earnings per share	-0.45	0.03
(ii) Diluted earnings per share	-0.45	0.03

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	2023	2022
I. Revenue	7,579,414,619.45	7,520,064,602.48
Less: Operating costs	7,176,479,930.73	7,046,088,687.44
Taxes and surcharges	37,636,362.13	33,903,732.08
Sales and distribution expenses	8,462,782.60	8,097,899.53
General and administrative expenses	140,689,667.12	143,936,740.47
Research and development expense	252,057,763.89	269,160,568.77
Finance expenses	274,265,017.24	775,464,172.57
Including: Interest expenses	469,512,534.61	942,221,009.81
Interest income	410,504,372.73	426,232,368.25
Plus: Other income	59,642,240.78	40,656,440.23
Investment income (“-” denotes loss)	357,646,522.46	673,446,949.24
Including: Investment income from associates and joint ventures	99,693,847.76	-314,623.14
Gains on derecognition of financial assets measured at amortised cost (“-” denotes loss)	-47,421,175.71	-63,403,215.00
Gain on change in fair value (“-” denotes loss)	310,000.00	5,350,000.00
Credit impairment loss (“-” denotes loss)	-8,773,992.60	10,519,416.80
Loss on impairment of assets (“-” denotes loss)	-16,979,924.08	-12,924,176.52
Gain on disposal of assets (“-” denotes loss)	-21,301,396.27	151,386,962.31
II. Operating profit (“-” denotes loss)	60,366,546.03	111,848,393.68
Plus: Non-operating income	541,593.38	73,996,545.76
Less: Non-operating expenses	7,382,596.72	20,105,385.25
III. Total profit (“-” denotes total loss)	53,525,542.69	165,739,554.19
Less: Income tax expenses	-53,023,500.87	-124,253,256.38
IV. Net profit (“-” denotes net loss)	106,549,043.56	289,992,810.57
(i) Net profit from continuing operations (“-” denotes net loss)	106,549,043.56	289,992,810.57
(ii) Net profit from discontinued operations (“-” denotes net loss)	-	-
V. Total comprehensive income	106,549,043.56	289,992,810.57

XII Financial Report

5. Consolidated cash flow statement

Unit: RMB

Item	2023	2022
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	27,966,458,590.37	34,004,940,977.95
Tax rebates received	167,475,052.87	774,636,352.39
Cash received relating to other operating activities	1,031,185,120.95	1,438,951,565.79
Subtotal of cash inflows from operating activities	29,165,118,764.19	36,218,528,896.13
Cash paid for goods and services	20,996,101,741.25	27,914,460,565.12
Cash paid to and for employees	1,355,503,347.12	1,378,611,065.39
Payments of taxes and surcharges	866,089,499.58	1,181,977,144.95
Cash paid relating to other operating activities	1,557,474,867.42	2,293,655,878.30
Subtotal of cash outflows from operating activities	24,775,169,455.37	32,768,704,653.76
Net cash flows from operating activities	4,389,949,308.82	3,449,824,242.37
II. Cash flows from investing activities:		
Cash received from investments	1,598,737.43	1,526,241.63
Cash received from investment income	66,558,010.99	37,543,374.81
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	210,115,150.25	232,394,062.31
Net cash received from disposal of subsidiaries and other business units	99,329,954.44	-
Cash received relating to other investing activities	-	-
Subtotal of cash inflows from investing activities	377,601,853.11	271,463,678.75
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	314,376,125.86	885,436,648.94
Cash paid on investments	-	1,463,000,000.00
Net cash paid for acquisition of subsidiaries and other business units	4,934,751.03	367,997,918.78
Cash paid relating to other investing activities	-	-
Subtotal of cash outflows from investing activities	319,310,876.89	2,716,434,567.72
Net cash flows from investing activities	58,290,976.22	-2,444,970,888.97

XII Financial Report

Item	2023	2022
III. Cash flows from financing activities:		
Cash received from investments	300,000,000.00	1,400,000,000.00
Including: Cash received from subsidiaries from minority investment	300,000,000.00	1,400,000,000.00
Cash received from borrowings	32,279,984,571.38	32,477,133,959.53
Cash received relating to other financing activities	2,697,290,383.69	3,719,090,394.82
Subtotal of cash inflows from financing activities	35,277,274,955.07	37,596,224,354.35
Cash repayments of amounts borrowed	34,204,285,275.28	31,525,777,100.64
Cash paid for dividend and profit distribution or interest payment	2,244,930,422.38	2,362,284,448.94
Including: Dividend and profit paid by subsidiaries to minority shareholders	254,313,617.44	200,352,435.08
Cash paid relating to other financing activities	4,611,801,356.33	5,689,222,885.22
Subtotal of cash outflows from financing activities	41,061,017,053.99	39,577,284,434.80
Net cash flows from financing activities	-5,783,742,098.92	-1,981,060,080.45
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-59,724,593.02	-33,248,970.46
V. Net increase in cash and cash equivalents	-1,395,226,406.90	-1,009,455,697.51
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,159,460,149.51	3,168,915,847.02
VI. Balance of cash and cash equivalents as at the end of the period	764,233,742.61	2,159,460,149.51

XII Financial Report

6. Cash flow statement of the Company

Unit: RMB

Item	2023	2022
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	8,501,405,410.34	9,262,082,947.68
Tax rebates received	10,186,261.55	9,335,732.78
Cash received relating to other operating activities	455,821,934.12	546,476,129.29
Subtotal of cash inflows from operating activities	8,967,413,606.01	9,817,894,809.75
Cash paid for goods and services	7,495,797,116.97	7,950,820,408.32
Cash paid to and for employees	337,462,560.61	298,994,477.43
Payments of taxes and surcharges	53,252,740.71	200,234,241.01
Cash paid relating to other operating activities	474,578,098.99	876,312,163.51
Subtotal of cash outflows from operating activities	8,361,090,517.28	9,326,361,290.27
Net cash flows from operating activities	606,323,088.73	491,533,519.48
II. Cash flows from investing activities:		
Cash received from investments	147,471,372.61	1,526,241.63
Cash received from investment income	112,467,060.62	918,541,961.59
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	40,668,050.26	175,178,998.35
Subtotal of cash inflows from investing activities	300,606,483.49	1,095,247,201.57
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	20,519,612.30	30,885,811.90
Subtotal of cash outflows used in investing activities	20,519,612.30	30,885,811.90
Net cash flows from investing activities	280,086,871.19	1,064,361,389.67

XII Financial Report

Item	2023	2022
III. Cash flows from financing activities:		
Cash received from borrowings	19,258,041,006.64	19,328,476,282.36
Cash received relating to other financing activities	1,590,113,157.73	771,135,279.77
Subtotal of cash inflows from financing activities	20,848,154,164.37	20,099,611,562.13
Cash repayments of amounts borrowed	19,259,308,611.34	20,169,398,149.54
Cash paid for dividend and profit distribution or interest payment	471,489,436.79	612,303,611.03
Cash paid relating to other financing activities	1,880,449,249.46	1,533,109,819.21
Subtotal of cash outflows from financing activities	21,611,247,297.59	22,314,811,579.78
Net cash flows from financing activities	-763,093,133.22	-2,215,200,017.65
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-6,501,936.29	-177,257.07
V. Net increase in cash and cash equivalents	116,814,890.41	-659,482,365.57
Plus: Balance of cash and cash equivalents as at the beginning of the period	233,971,948.99	893,454,314.56
VI. Balance of cash and cash equivalents as at the end of the period	350,786,839.40	233,971,948.99

7. Consolidated statement of changes in owners' equity

Amount for the reporting period

Unit: RMB

Item	2023										Total owners' equity			
	Share capital	Preference shares	Other equity instruments	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit		Others	Subtotal	Minority interest
I. Balance as at the end of the prior year	2,979,742,200.00	-	996,000,000.00	5,361,200,622.29	128,780,100.00	-821,940,694.57	15,791,710.95	1,212,089,109.97	79,900,268.71	9,380,642,477.57	-	19,084,656,494.92	4,643,888,326.89	23,728,535,820.61
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance as at the beginning of the year	2,979,742,200.00	-	996,000,000.00	5,361,200,622.29	128,780,100.00	-821,940,694.57	15,791,710.95	1,212,089,109.97	79,900,268.71	9,380,642,477.57	-	19,084,656,494.92	4,643,888,326.89	23,728,535,820.61
III. Changes in the period	-22,829,000.00	-	-996,000,000.00	-32,408,622.88	-66,347,650.00	-42,940,794.51	7,531,118.62	-	-629,973.80	-1,370,459,676.02	-	-2,392,390,298.39	-288,007,676.59	-2,630,397,974.98
(i) Total comprehensive income	-	-	-	-	-	-42,940,794.51	-	-	-	-1,281,289,648.82	-	-1,324,230,444.33	-45,352,768.04	-1,369,589,212.37
(ii) Capital paid in and reduced by owners	-22,829,000.00	-	-996,000,000.00	-32,408,622.88	-66,347,650.00	-	-	-	-	-	-	-985,990,972.68	51,862,676.42	-934,308,296.26
1. Ordinary shares paid by owners	-	-	-	-	-	-	-	-	-	-	-	-	51,862,676.42	51,862,676.42
2. Capital paid by holders of other equity instruments	-	-	-996,000,000.00	-4,000,000.00	-	-	-	-	-	-	-	-1,000,000,000.00	-	-1,000,000,000.00
3. Amount of share-based payments recognised in owners' equity	-22,829,000.00	-	-	-68,886,171.92	-66,347,650.00	-	-	-	-	-	-	-27,467,521.92	-	-27,467,521.92
4. Others	-	-	-	41,476,549.24	-	-	-	-	-	-	-	41,476,549.24	-	41,476,549.24
(iii) Profit distribution	-	-	-	-	-	-	-	-	-629,973.80	-89,170,026.20	-	-89,700,000.00	-254,313,617.44	-944,013,617.44
1. Transfer to general risk provisions	-	-	-	-	-	-	-	-	-629,973.80	529,973.80	-	-	-	-
2. Distribution to owners (for shareholders)	-	-	-	-	-	-	-	-	-	-89,700,000.00	-	-89,700,000.00	-254,313,617.44	-944,013,617.44
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	9,976,032.47	9,976,032.47
1. Others	-	-	-	-	-	-	-	-	-	-	-	-	9,976,032.47	9,976,032.47
(v) Special reserves	-	-	-	-	-	-	7,531,118.62	-	-	-	-	7,531,118.62	-	7,531,118.62
1. Withdrawn in the period	-	-	-	-	-	-	31,146,275.32	-	-	-	-	31,146,275.32	-	31,146,275.32
2. Used in the period	-	-	-	-	-	-	-23,615,156.70	-	-	-	-	-23,615,156.70	-	-23,615,156.70
IV. Balance as at the end of the period	2,956,813,200.00	-	-	5,329,790,899.61	63,432,450.00	-864,881,489.08	23,322,829.57	1,212,089,109.97	79,370,294.91	8,020,182,801.55	16,692,175,196.53	16,692,175,196.53	4,405,880,649.10	21,097,855,846.63

XII Financial Report

Amount for the prior period

Unit: RMB

Item	2022										Total owners' Share capital equity			
	Share capital	Preference shares	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit		Others	Subtotal	Minority interest
I. Balance as at the end of the prior year	2,884,208,200.00	-	996,000,000.00	5,227,258,100.41	226,860,000.00	445,582,729.36	-	1,212,089,108.97	76,825,916.60	9,284,125,706.86	-	19,117,965,306.48	3,457,050,907.26	22,575,036,213.74
II. Balance as at the beginning of the year	2,884,208,200.00	-	996,000,000.00	5,227,258,100.41	226,860,000.00	445,582,729.36	-	1,212,089,108.97	76,825,916.60	9,284,125,706.86	-	19,117,965,306.48	3,457,050,907.26	22,575,036,213.74
III. Changes in the period ("-" denotes decrease)	-4,466,000.00	-	-	133,942,421.88	-98,079,900.00	-376,357,665.21	15,791,710.95	-	3,074,350.11	96,515,770.71	-	-33,419,811.56	1,166,687,418.43	1,133,217,688.87
(i) Total comprehensive income	-	-	-	-	-	-376,357,665.21	-	-	-	189,280,120.82	-	-187,067,844.39	128,072,570.59	-8,995,273.80
(ii) Capital paid in and reduced by owners	-4,466,000.00	-	-	133,942,421.88	-98,079,900.00	-	-	-	-	-	-	227,556,321.88	1,268,917,282.92	1,486,473,604.80
1. Ordinary shares paid by owners	-	-	-	-8,282,100.00	-	-	-	-	-	-	-	-8,282,100.00	1,268,917,282.92	1,260,635,182.92
2. Amount of share-based payments recognised in owners' equity	-4,466,000.00	-	-	1,121,804.80	-98,079,900.00	-	-	-	-	-	-	94,735,704.80	-	94,735,704.80
3. Others	-	-	-	141,082,717.08	-	-	-	-	-	-	-	141,082,717.08	-	141,082,717.08
(iii) Profit distribution	-	-	-	-	-	-	-	-	3,074,350.11	-92,774,350.11	-	-89,700,000.00	-200,332,435.08	-990,052,435.08
1. Transfer to general risk provisions	-	-	-	-	-	-	-	-	3,074,350.11	-3,074,350.11	-	-	-	-
2. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-89,700,000.00	-89,700,000.00	-	-89,700,000.00	-200,332,435.08	-990,052,435.08
(iv) Special reserves	-	-	-	-	-	-	15,791,710.95	-	-	15,791,710.95	-	15,791,710.95	-	15,791,710.95
1. Withdrew in the period	-	-	-	-	-	-	29,147,795.17	-	-	-	-	29,147,795.17	-	29,147,795.17
2. Used in the period (denoted by "-")	-	-	-	-	-	-	-13,356,084.22	-	-	-	-	-13,356,084.22	-	-13,356,084.22
IV. Balance as at the end of the period	2,979,742,200.00	-	996,000,000.00	5,361,200,522.29	128,780,100.00	421,940,894.57	15,791,710.95	1,212,089,108.97	79,900,266.71	9,380,642,477.57	19,084,565,494.92	4,643,886,325.69	23,729,233,820.61	

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

Amount for the reporting period

Unit: RMB

Item	2023							Total owners' equity
	Share capital	Preference shares	Other equity instruments	Capital reserves	Less: Treasury Shares	Other comprehensive income	Retained Profit	
			Perpetual Bonds			Special Reserves	Others	
I. Balance as at the end of the prior year	2,979,742,200.00	-	996,000,000.00	5,147,225,041.11	128,780,100.00	2,066,138.15	3,121,934,271.16	13,318,007,076.48
II. Balance as at the beginning of the year	2,979,742,200.00	-	996,000,000.00	5,147,225,041.11	128,780,100.00	2,066,138.15	3,121,934,271.16	13,318,007,076.48
III. Changes in the period ("-" denotes decrease)	-22,929,000.00	-	-996,000,000.00	-73,886,171.92	-65,347,650.00	2,546,503.84	16,849,043.56	-1,008,071,974.52
(i) Total comprehensive income	-	-	-	-	-	-	-	106,549,043.56
(ii) Capital paid in and reduced by owners	-22,929,000.00	-	-996,000,000.00	-73,886,171.92	-65,347,650.00	-	-	-1,027,467,521.92
1. Capital paid by holders of other equity instruments	-	-	-996,000,000.00	-4,000,000.00	-	-	-	-1,000,000,000.00
2. Amount of share-based payments recognised in owners' equity	-22,929,000.00	-	-	-69,886,171.92	-65,347,650.00	-	-	-27,467,521.92
(iii) Profit distribution	-	-	-	-	-	-	-89,700,000.00	-89,700,000.00
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-
2. Distribution to owners (or shareholders)	-	-	-	-	-	-	-89,700,000.00	-89,700,000.00
(iv) Special reserves	-	-	-	-	-	2,546,503.84	-	2,546,503.84
1. Withdraw in the period	-	-	-	-	-	2,569,804.81	-	2,569,804.81
2. Used in the period	-	-	-	-	-	-23,300.97	-	-23,300.97
IV. Balance as at the end of the period	2,956,813,200.00	-	-	5,073,338,869.19	63,432,450.00	4,612,641.99	3,138,783,314.72	12,309,935,103.96

XII Financial Report

Item	2022										Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury Shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit		Others
		Preference shares	Perpetual Bonds	Others								
I. Balance as at the end of the prior year	2,984,208,200.00	996,000,000.00	5,154,365,336.31	226,860,000.00	1,199,819,528.06	2,921,641,460.59	13,029,174,524.96					
II. Balance as at the beginning of the year	2,984,208,200.00	996,000,000.00	5,154,365,336.31	226,860,000.00	1,199,819,528.06	2,921,641,460.59	13,029,174,524.96					
III. Changes in the period ("-" denotes decrease)	-4,466,000.00		-7,140,295.20	-98,079,900.00	2,066,138.15	200,292,810.57	288,832,553.52					
(i) Total comprehensive income												
(ii) Capital paid in and reduced by owners	-4,466,000.00		-7,140,295.20	-98,079,900.00			86,473,604.80					
1. Ordinary shares paid by owners							-8,262,100.00					
2. Capital paid by holders of other equity instruments												
3. Amount of share-based payments recognised in owners' equity	-4,466,000.00		1,121,804.80	-98,079,900.00								
(iii) Profit distribution												
1. Transfer to surplus reserves												
2. Distribution to owners (or shareholders)												
(iv) Special reserves												
1. Withdrawn in the period												
2. Used in the period (denoted by "+")												
IV. Balance as at the end of the period	2,979,742,200.00	996,000,000.00	5,147,225,041.11	128,780,100.00	1,199,819,528.06	3,121,934,271.16	13,318,007,076.48					

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”, a joint-stock company incorporated in Shouguang City, Shandong Province) 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. The Company’s headquarters is located at No. 2199 Nongsheng East Road, Shouguang City, Shandong Province.

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 2023, the total share capital of the Company was 2,956,813,200 shares. For details, please refer to Note VII. 39.

Principal business activities: the Company is principally engaged in, among other things, processing and sale of paper products (including machine-made paper and paper board), paper making raw materials, machinery and chemicals; generation and sale of electric power and thermal power; forestry, saplings growing, processing and sale of timber and construction materials; 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 eighth meeting of the tenth session of the board of directors of the Company (the “Board”) on 28 March 2024.

2. Scope of consolidation

Subsidiaries of the Company included in the scope of consolidation in 2023 totalled 77. For details, please refer to Note X “Interest in other entities”. The scope of consolidation of the Company during the year had two more companies included and three companies less compared to the prior year. For details, please refer to Note IX “Change in scope of consolidation”.

XII Financial Report

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

These financial statements are prepared in accordance with the accounting standards for business enterprises, the application guidelines thereof, interpretations and other related rules (collectively referred to as “ASBEs”) promulgated by the Ministry of Finance. In addition, the Company also discloses relevant financial information in accordance with the “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports” (revised in 2023) of the CSRC.

The financial statements are presented on a going concern.

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

2. Going concern

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

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in machine-made paper, electricity and steam, construction materials, paper making chemical products, processing of moulds, hotel management and other operations. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition, determination of performance progress and R&D expenses based on their actual production and operation characteristics pursuant to the requirements under the relevant ASBEs. For details, please refer to this Note V. 30 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 40 “Changes in significant accounting policies and accounting estimates”.

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

These financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Company as at 31 December 2023 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for 2023.

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. Determination method and selection basis of importance standards

Item	Importance standards
Significant accounts receivable with single provision for bad debt reserves	Overdue accounts receivable and the amount of a single receivable exceeds 0.5% of total assets
Write-off of significant accounts receivable during the period	The amount of a single write-off exceeds 0.5% of net assets
Significant prepayments aged more than one year	Aged more than one year and the single amount exceeds 0.5% of total assets
Significant receipts in advance aged more than one year	Aged more than one year and the single amount exceeds 0.5% of total assets
Significant other payables aged more than one year	Aged more than one year and the single amount exceeds 0.5% of total assets
Significant accounts payable aged more than one year	Aged more than one year and the single amount exceeds 0.5% of total assets
Bad debt provisions with significant amounts reversed or recovered during the current period	Individually identified or classified into the third stage, the amount transferred or recovered exceeds 0.5% of total assets
Significant construction in progress	Projects with budgets exceeding 0.5% of total assets
Significant non-wholly owned subsidiaries	The total assets of the subsidiary exceed 10% of the Company on a consolidated basis and the revenue or pre-tax profit exceeds 10%
Significant investment activities	Investment amount exceeds 0.5% of total assets
Significant joint ventures and associates	The joint venture or associate operates normally with an accounting amount exceeding 0.5% of total assets
Significant debt restructuring	The restructuring amount exceeds 0.5% of total assets

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

(1) Business combination under common control

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

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

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

(1) Business combination under common control *(Continued)*

Business combinations involving entities under common control and achieved in stages

The assets and liabilities of the party being merged that are obtained at the combination by the absorbing party shall be measured at the carrying value as recorded by the ultimate controlling party in the consolidated financial statements at combination date. The difference between the sum of the carrying value from original shareholding portion and the new investment cost incurred at combination date and the carrying value of net assets obtained at combination date shall be adjusted to capital reserve, 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.

(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

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

(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)*

7. Judgment criteria for control and preparation of consolidated financial statements

(1) Judgment criteria for control

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. The Company will reassess when changes in relevant facts and circumstances result in changes in the relevant elements involved in the definition of control.

When judging whether to include a structured entity into the scope of consolidation, the Company comprehensively considers all facts and circumstances, including assessing the purpose and design of the structured entity, identifying the types of variable returns, and assessing whether to control the structured entity on the basis of whether it bears part or all of the return variability by participating in its related activities.

(2) Basis for preparation of the consolidated financial statements

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

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

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

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

(3) Acquisition of non-controlling interests in subsidiaries

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

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

7. Judgment criteria for control and 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 accounted for on the same basis as the former subsidiary's direct disposal of relevant assets or liabilities when the control is lost. Other changes in owners' equity related to the former subsidiary that are accounted for using the equity method shall be transferred to current profit or loss at the time when the control is lost.

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

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

(1) Joint operations

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

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

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

(2) Joint ventures

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

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

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

9. 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.

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

(1) Foreign currency operations

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

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

(2) Translation of financial statements denominated in foreign currency

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

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates (Continued)

11. 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 are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognised. Accounts receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

Financial assets measured at amortised cost

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

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

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

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

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

11. Financial instruments *(Continued)*

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

Financial assets measured at fair value through other comprehensive income

A financial asset is classified as measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

The Company's business model for managing such financial assets is achieved both by collecting collect contractual cash flows and selling such financial assets;

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

Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and foreign exchange gains and losses are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Financial assets measured at fair value through profit or loss

The Company classifies the financial assets other than those measured at amortised cost and measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss. Upon initial recognition, the Company irrevocably designates certain financial assets that are required to be measured at amortised cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatch.

Upon initial recognition, such financial assets are measured at fair value. Except for those held for hedging purposes, gains or losses (including interests and dividend income) arising from such financial assets are recognised in the profit or loss for the current period.

The business model for managing financial assets refers to how the Company manages its financial assets in order to generate cash flows. That is, the Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Company determines the business model for managing financial assets on the basis of objective facts and specific business objectives for managing financial assets determined by key management personnel.

The Company assesses the characteristics of the contractual cash flows of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a specific date are solely payments of principal and interest on the principal amount outstanding. The principal refers to the fair value of the financial assets at the initial recognition. Interest includes consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks, costs and profits. In addition, the Company evaluates the contractual terms that may result in a change in the time distribution or amount of contractual cash flows from a financial asset to determine whether it meets the requirements of the above contractual cash flow characteristics.

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

11. Financial instruments *(Continued)*

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

Financial assets measured at fair value through profit or loss *(Continued)*

All affected financial assets are reclassified on the first day of the first reporting period following the change in the business model where the Company changes its business model for managing financial assets; otherwise, financial assets shall not be reclassified after initial recognition.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognised. Accounts receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

(3) Classification and measurement of financial liabilities

At initial recognition, financial liabilities of the Company are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortised cost. For financial liabilities not classified as measured at fair value through profit or loss, relevant transaction costs are included in the amount initially recognised.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss comprise held-for-trading financial liabilities and financial liabilities designated at fair value through profit or loss upon initial recognition. Such financial liabilities are subsequently measured at fair value, and the gains or losses from the change in fair value and the dividend or interest expenses related to the financial liabilities are included in the profit or loss of the current period.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, and the gains or losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

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

11. 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)*

11. 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 investment in debt instruments 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)*

11. 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.

For receivables such as bills receivable, accounts receivable, accounts receivable financing, other receivables and contract assets, if the credit risk characteristics of a customer are significantly different from other customers in the portfolio, or the credit risk characteristics of such customer change significantly, the Company will make a separate provision for bad debts for such receivables. In addition to the receivables for which bad debt provisions are made individually, the Company divides the receivables into portfolios based on credit risk characteristics and calculates bad debt provisions on a combined basis.

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: Due from non-related party customers

Accounts receivable portfolio 3: Factoring receivables

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

11. Financial instruments *(Continued)*

(5) Impairment of financial assets *(Continued)*

Bills receivable and accounts receivable *(Continued)*

For bills receivable classified as a portfolio, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to calculate the ECLs based on default risk exposure and lifetime ECL rate.

For accounts receivable classified as a portfolio, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to prepare a comparison table of the ageing/overdue days of accounts receivable and the lifetime ECL rate to calculate the ECLs. The aging of accounts receivable is calculated from the date of recognition.

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 1: 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. For other receivables grouped by aging, the aging is calculated from the date of recognition.

Long-term receivables

The Company's long-term receivables include finance lease receivables and deposits receivable.

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

11. Financial instruments *(Continued)*

(5) Impairment of financial assets *(Continued)*

Long-term receivables *(Continued)*

The Company classifies the finance lease receivables and deposits 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. 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 accounts receivable financing and deposits receivable, 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)*

11. 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)*

11. 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)*

11. 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.

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. Inventories

(1) Classification of inventories

Inventories of the Company mainly include raw materials, work in progress, goods in stock, development products and consumable biological assets, etc.

(2) Pricing of inventories dispatched

Inventories of the Company are measured at their actual cost when obtained. Cost of raw materials, goods in stock and others will be calculated with weighted average method when being dispatched.

Consumable biological assets refer to biological assets held-for-sale which include growing timber. Consumable biological assets without a stock are stated at historical cost at initial recognition, and subsequently measured at fair value when there is a stock. Changes in fair values shall be recognised as profit or loss in the current period. The cost of self-planting, self-cultivating consumable biological assets is the necessary expenses directly attributable to such assets prior to canopy closure, including borrowing costs eligible for capitalisation. Subsequent expenses such as maintenance cost incurred after canopy closure shall be included in profit or loss for the current period.

The cost of consumable biological assets shall, at the time of harvest or disposal, be carried forward at carrying amount using the stock volume proportion method.

(3) Recognition of and provision for inventory impairment

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for inventory impairment is made.

Net realisable value refers to the amount of the estimated price of inventories less the estimated cost incurred upon completion, estimated sales expenses and taxes and levies. The realisable value of inventories shall be determined on the basis of definite evidence, purpose of holding the inventories and effect of after-balance-sheet-date events.

The Company usually makes provisions for inventory impairment on the basis of individual inventory items; however, for inventories with large quantities and lower unit prices, these inventories are accrued impairment according to inventory categories.

At the balance sheet date, in case the factors causing inventory impairment no longer exists, the original provision for inventory impairment shall be reversed.

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

13. Inventories *(Continued)*

(4) Inventory stock taking system

The Company implements permanent inventory system as its inventory stock taking system.

(5) Amortisation of low-value consumables and packaging materials

The low-value consumables of the Company are amortised when issued for use.

Packaging materials for turnover are amortised when issued for use.

14. 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.

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

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

(2) Subsequent measurement and method for profit or loss recognition *(Continued)*

For a long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the investment cost of the long-term equity investment. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, adjustment shall be made to the carrying amount of the long-term equity investment, and the difference shall be charged to profit or loss for the current period.

Under the equity method, investment gain and other comprehensive income shall be recognised based on the Company's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying amount of long-term equity investment shall be adjusted and included in the capital reserves (other capital reserves). The Group shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto according to the accounting policies and accounting periods of the Company.

For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the initial investment cost under the equity method shall be the aggregate of fair value of previously held equity investment and additional investment cost on the date of transfer. For investments in non-trading equity instruments that were previously classified as at fair value through other comprehensive income, the cumulative fair value changes associated with them that were previously included in other comprehensive income are transferred to retained earnings upon the change to the equity method of accounting.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment, the remaining equity interest after disposal shall be accounted for according to the Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments. The difference between its fair value and carrying amount shall be included in profit or loss for the current period. In respect of other comprehensive income recognised under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners' equity related to the previous equity investment shall be transferred to profit or loss for the current period.

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

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

(2) Subsequent measurement and method for profit or loss recognition *(Continued)*

In the event of loss of control over investee due to partial disposal of equity investment, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For the remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period.

If the shareholding ratio of the Company is reduced due to the capital increase of other investors, and as a result, the Company loses the control of but still can apply common control or impose significant influence over the investee, the net asset increase due to the capital increase of the investee attributable to the Company shall be recognised according to the new shareholding ratio, and the difference with the original carrying amount of the long-term equity investment corresponding to the shareholding ratio reduction part that should be carried forward shall be recorded in the profit or loss for the current period; and then it shall be adjusted according to the new shareholding ratio as if equity method is used for accounting when acquiring the investment.

In respect of the transactions between the Company and its associates and joint ventures, the share of unrealised gain or loss arising from internal transactions shall be eliminated by the portion attributable to the Company. Investment gain or loss shall be recognised accordingly. However, any unrealised loss arising from internal transactions between the Company and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets.

(3) Basis for determining the common control and significant influence on the investee

Common control is the contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. When determining if there is any common control, it should first be identified if the arrangement is controlled by all the participants or the group consisting of the participants, and then determined if the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. If all the participants or a group of participants can only decide the relevant activities of certain arrangement through concerted action, it can be considered that all the participants or a group of participants share common control on the arrangement. If there are two or more participant groups that can collectively control certain arrangement, it does not constitute common control. When determining if there is any common control, the relevant protection rights will not be taken into account.

Significant influence is the power of the investor to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

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

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

(3) Basis for determining the common control and significant influence on the investee *(Continued)*

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operation decision-making of the investee and cannot pose significant influence in this situation. When the Company owns less than 20% of the voting shares of the investee, it is generally considered that it has not significantly influenced on the investee, unless there is concrete evidence to prove that it can participate in the production and operation decision-making of the investee and can impose significant influence in this situation.

(4) Impairment test method and impairment provision

For the method for making impairment provision for the investment in subsidiaries, associates and joint ventures, please refer to Note V. 23.

15. 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. 23.

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.

16. 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)

16. 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	Year of depreciation	Estimated residual value	Annual depreciation rate
Housing and building structure	20-40	5-10	2.25-4.75
Machinery and equipment	8-20	5-10	4.50-11.88
Transportation equipment	5-8	5-10	11.25-19.00
Electronic equipment and others	5	5-10	18.00-19.00

Where, for the fixed assets for which impairment provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset impairment provision that has been made shall be deducted.

(3) The impairment test method and impairment provision method of the fixed assets are set out in Note V. 23.

(4) The Company will review the useful lives, estimated net residual value and depreciation method of the fixed assets at the end of each year.

When there is any difference between the useful lives estimate and the originally estimated value, the useful lives of the fixed asset shall be adjusted. When there is any difference between the estimated net residual value estimate and the originally estimated value, the estimated net residual value shall be adjusted.

(5) Disposal of fixed assets

A fixed asset is derecognised on disposal or when it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognised in profit or loss for the current period.

The Company regards the fixed assets that have been replaced due to technological transformation or elimination of outdated production capacity and have no subsequent plan for use, but have not reached the retirement standard, as idle fixed assets. The depreciation method for idle fixed assets remains unchanged from before it was idle.

V. Significant Accounting Policies and Accounting Estimates (Continued)

17. 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. For technological transformation or new machine-made paper projects, the projects will be put into trial operation for a period of time (usually three months) upon completion of construction. After the internal acceptance is completed during the trial operation period, the construction in progress will be transferred to fixed assets.

The method for impairment provision of construction in progress is set out in Note V. 23.

18. Materials for project

The materials for project of the Group refer to various materials prepared for construction in progress, including construction materials, equipment not yet installed and tools for production.

The purchased materials for project are measured at cost, and the planning materials for project are transferred to construction in progress. After the completion of the project, the remaining materials for project are transferred to inventory.

The method for impairment provision of materials for project is set out in Note V. 23.

The closing balance of materials for project is presented as “construction in progress” item in the balance sheet.

19. 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; and
- ③ the acquisition, construction or production activity necessary for the asset to be ready for its intended use or sale has been started.

V. Significant Accounting Policies and Accounting Estimates (Continued)

19. Borrowing costs (Continued)

(2) Capitalisation period of borrowing costs

When a qualifying asset acquired, constructed or produced by the Company is ready for its intended use or sale, the capitalisation of the borrowing costs shall discontinue. The borrowing costs incurred after a qualifying asset is ready for its intended use or sale shall be recognised as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The capitalisation of the borrowing costs shall be continued in the normal interruption period.

(3) Calculation methods for capitalisation rate and capitalised amount of the borrowing costs

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Company shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalised. Exchange differences related to general-purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

20. Biological assets

(1) Standards for recognising biological assets

Bearer biological assets refer to biological assets held for the purpose of producing agricultural products, providing labour services or renting, including economic forests, firewood forests, productive livestock and draught animals. The Company's bearer biological assets are mainly tea trees. The cost of a planted or propagated bearer biological asset includes the expenses directly attributable to the asset and necessarily incurred before the asset is ready for its intended production and operation, including the borrowing costs that are eligible for capitalisation.

The management, protection and feeding costs of a biological asset subsequent to crown closure or after the asset is ready for its intended production and operation are expensed and recognised in profit or loss as incurred. According to experience, the tea trees grown by the Company generally take 7 years to reach the crown closure stage.

Depreciation of bearer biological assets is calculated using the straight-line method over the estimated useful life of each biological asset less its residual value as follows:

Type of bearer biological assets	Useful life (year)	Estimated residual value	Annual depreciation rate
Tea tree	20		5%

V. Significant Accounting Policies and Accounting Estimates (Continued)

20. Biological assets (Continued)

(1) Standards for recognising biological assets (Continued)

The Company reviews the useful life and estimated net residual value of a bearer biological asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in accounting estimate.

The difference between the disposal income of the sale, loss, death or damage of a bearer biological asset, net of its carrying amount and related taxes, is recognised in profit or loss for the current period.

The method for impairment provision of bearer biological assets is set out in Note V. 23.

21. Intangible assets

The intangible assets of the Company include land use rights, software, patents and certificates of third party right.

The intangible asset is initially measured at cost, and its useful life is determined upon acquisition. If the useful life is finite, the intangible asset will be amortised over the estimated useful life using the amortisation method that can reflect the estimated realisation of the economic benefits related to the asset, starting from the time when it is available for use. If it is unable to reliably determine the estimated realisation, straight-line method shall be adopted for amortisation. The intangible assets with uncertain useful life will not be amortised.

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

Type	Useful life	The basis for determining useful life	Method of amortisation	Remark
Land use rights	50-70	Years of certificate	Straight-line method	
Software	5-10	Estimated years for software replacement	Straight-line method	
Patents	5-20	Useful life of purchase	Straight-line method	
Certificates of third party right	3	Useful life of purchase	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. 23.

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

22. R&D expenses

The R&D expenses of the Company are expenses directly related to the R&D activities of the Company, including the wages R&D staff, direct investment costs, depreciation expenses and long-term prepaid expenses, design expenses, equipment testing expenses, amortisation expenses of intangible assets, and outsourced R&D expenses, and other expenses. Among them, the wages of R&D staff are included in R&D expenses based on working hours of related projects. Equipment, production lines, and sites shared between R&D activities and other production and operation activities are included in R&D expenses according to the proportion of working hours and the proportion of area.

The Company divides the expenses on internal R&D projects into expenses in the research phase and expenses in the development phase. All R&D expenses of the Company are included in the current profits and losses when incurred.

23. Asset impairment

Impairment of long-term equity investments in subsidiaries, associates and joint ventures, asset impairment on investment property, fixed assets, construction in progress, bearer biological assets measured at cost, right-of-use assets, intangible assets, goodwill and others (excluding inventories, deferred tax assets and financial assets) subsequently measured at cost is determined as follows:

The Company determines if there is any indication of asset impairment as at the balance sheet date. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill arising from business combinations, intangible assets with an indefinite useful life and intangible assets not ready for use will be tested for impairment annually, regardless of whether there is any indication of impairment.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount of an individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment provision is made accordingly.

For the purpose of impairment test of goodwill, the carrying amount of goodwill acquired in a business combination is allocated to the relevant asset groups on a reasonable basis from the acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Company.

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the Company first tests the asset group or set of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognises the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its carrying amount with its recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised for goodwill.

An impairment loss recognised shall not be reversed in a subsequent period.

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

24. 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.

25. Contract liabilities

A contract liability represents the Company's obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer has already paid the contract consideration before the Company transfers goods to the customer or the Company has obtained the unconditional collection right, the Company will recognise such amount received or receivable as contract liabilities at earlier of the actual payment by the customer or the amount payable becoming due. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

26. Employee benefits

(1) Scope of employee benefits

Employee benefits are all forms of considerations or compensation given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term staff remuneration, post-employment benefits, termination benefits and other long-term employee benefits. Employee benefits include benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or other beneficiaries.

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

(2) Short-term staff remuneration

Employee wages or salaries actually incurred, bonuses, and social insurance contributions such as medical insurance, work injury insurance, maternity insurance, and housing fund, contributed at the applicable benchmarks and rates, are recognised as a liability as the employees provide services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

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

26. Employee benefits *(Continued)*

(3) Post-employment benefits

Post-employment benefit plans include defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate fund and the Company has no further obligations for payment. A defined benefit plan is a postemployment benefit plan other than a defined contribution plan.

Defined contribution plans

Defined contribution plans include basic pension insurance, unemployment insurance and enterprise annuity plan (if any).

During the accounting period in which an employee provides service, the amount payable calculated according to the defined contribution plan is recognised as a liability and included in the profit or loss for the current period or the cost of relevant assets.

Defined benefit plans

For defined benefit plans, the actuarial valuation is carried out by an independent actuary on the annual balance sheet date, and the cost of providing benefits is determined by the expected cumulative benefit unit method. The cost of staff remuneration arising from the Company's defined benefit plans includes the following components:

- ① Service cost, including current service cost, past service cost, and settlement gain or loss. In particular, the current service cost refers to the increase in the present value of obligations of defined benefit plans arising from the service provided by staff in the current period; the past service cost refers to the increase or decrease in the present value of obligations of defined benefit plans related to the service of the staff in the previous period arising from the revision of defined benefit plans.
- ② Net interest on net liabilities or net assets of defined benefit plans, including interest income from the assets under the plans, interest expense arising from the obligations of defined benefit plans, and interest affected by asset caps.
- ③ Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans.

Unless other accounting standards require or allow costs of staff welfare to be included in costs of assets, the Company will include the above items ① and ② in the current profit and loss; and include item ③ in other comprehensive income which will not be transferred back to profit or loss in subsequent accounting periods. When the original defined benefit plan is terminated, all the part originally included in other comprehensive income shall be transferred to retained profit within the scope of equity.

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

26. Employee benefits *(Continued)*

(4) Termination benefits

When the Company provides termination benefits to employees, employee benefits liabilities arising from termination benefits are recognised in profit or loss for the current period at the earlier of the following dates: when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; the Company recognises cost and expenses related to payment of compensation for dismissal and restructuring.

For the early retirement plans, economic compensations before the actual retirement date were classified as termination benefits. During the period from the date of cease of render of services to the actual retirement date, relevant wages and contribution to social insurance for the employees proposed to be paid are recognised in profit or loss on a one-off basis. Economic compensation after the official retirement date, such as normal pension, is accounted for as post-employment benefits.

(5) Other long-term benefits

Other long-term employee benefits provided by the Group to employees that meet the conditions for defined contribution plans are accounted for in accordance with the relevant provisions relating to defined contribution plans as stated above. If the conditions for defined benefit plans are met, the benefits shall accounted for in accordance with the relevant provisions relating to defined benefit plans, but the “changes arising from the remeasurement of net liabilities or net assets of defined benefit plans” in the relevant employee benefits shall be included in the current profit and loss or the relevant costs of assets.

27. Provisions

Obligations pertinent to the contingencies which satisfy the following conditions are recognised by the Company as provisions:

- (1) the obligation is a current obligation borne by the Company;
- (2) it is likely that an outflow of economic benefits from the Company will be resulted from the performance of the obligation;
- (3) the amount of the obligation can be reliably measured.

The provisions shall be initially measured based on the best estimate for the expenditure required for the performance of the current obligation, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies. If the time value of money has significant influence, the best estimates shall be determined after discounting the relevant future cash outflow. The Company reviews the carrying amount of the provisions on the balance sheet date and adjust the carrying amount to reflect the current best estimates.

If all or some expenses incurred for settlement of recognised provisions are expected to be borne by the third party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of provisions.

28. Share-based payments and equity instruments

(1) Category of share-based payment

The Company's share-based payment is either equity-settled or cash-settled.

(2) Determination of fair value of equity instruments

For the existence of an active market for options and other equity instruments granted by the Company, the fair value is determined at the quoted price in the active market. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. The following factors shall be taken into account using option pricing models: A. the exercise price of the option; B. the validity period of the option; C. the current market price of the share; D. the expected volatility of the share price; E. predicted dividend of the share; and F. risk-free rate of the option within the validity period.

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

28. Share-based payments and equity instruments *(Continued)*

(3) Recognition of vesting of equity instruments based on the best estimate

On each balance sheet date within the vesting period, the estimated number of equity instruments expected to vest is revised based on the best estimate made by the Company according to the latest available subsequent information as to changes in the number of employees with exercisable rights. On the vesting date, the final estimated number of equity instruments expected to vest should equal the actual number of equity instruments expected to vest.

(4) Accounting treatment of implementation, modification and termination of share-based payment

Equity-settled share-based payment shall be measured at the fair value of the equity instruments granted to employees. For those may immediately vest after the grant, the fair value of equity instrument at the grant date shall be included in the relevant costs or expenses, and the capital reserve shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserve at the fair value of the equity instrument at the grant date. After the vesting period, relevant costs or expenses and total shareholders' equity which have been recognised will not be adjusted.

Cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and recognised based on the shares or other equity instruments undertaken by the Company. For those may immediately vest after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities shall be remeasured and the changes will be included in the profit or loss for the current period.

When there are changes in Company's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognised as a corresponding increase in service achieved. An increase in the fair value of equity instruments refers to the difference between the fair values of the modified date. If the modification reduces the total fair value of shares paid or not conducive to the use of other employees share-based payment plans to modify the terms and conditions of service, it will continue to be accounted for in the accounting treatment, as if the change had not occurred, unless the Company cancelled some or all of the equity instruments granted.

During the vesting period, if the cancelled equity instruments (except for failure to meet the conditions of the non-market vesting conditions) granted by the Company to cancel the equity instruments granted amount treated as accelerated vesting of the remaining period should be recognised immediately in profit or loss, while recognising capital reserves. If employees or other parties can choose to meet non-vesting conditions but they are not met in the vesting period, the Company will treat them as cancelled equity instruments granted.

(5) Restricted shares

If the Company grants the restricted shares to incentive participants under an equity incentive plan, the incentive participants shall subscribe for the shares first. If the unlocking conditions stipulated in the equity incentive plan cannot be fulfilled subsequently, the Company repurchase the shares at the predetermined price. If the registration and other capital increase procedures for the restricted shares issued to employees are completed in accordance with relevant regulations, the Company recognises share capital and capital reserve (or capital premium) based on the subscription money received from the employees on the grant date; and recognises treasury shares and other payables for repurchase obligation.

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

29. Other financial instruments such as preference shares and Perpetual Bonds

(1) Classification of financial liabilities and equity instruments

Financial instruments issued by the Company are classified into financial assets, financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial asset, financial liability and equity instruments on initial recognition.

(2) Accounting treatment of other financial instruments such as preference shares and Perpetual Bonds

Financial instruments issued by the Company are initially recognised and measured in accordance with the financial instrument standards; thereafter, interest or dividends are accrued on each balance sheet date and accounted for in accordance with relevant specific ASBEs, i.e. to determine the accounting treatment for interest expenditure or dividend distribution of the instrument based on the classification of the financial instrument issued. For financial instruments classified as equity instruments, their interest expenses or dividend distributions are treated as profit distribution of the Company, and their repurchases and cancellations are treated as changes in equity; for financial instruments classified as financial liabilities, their interest expenses or dividend distribution are in principle accounted for with reference to borrowing costs, and the gains or losses arising from their repurchases or redemption are included in the profit or loss for the current period.

For the transaction costs such as fees and commissions incurred by the Company for issuing financial instruments, if such financial instruments are classified as debt instruments and measured at amortised cost, they are included in the initial measured amount of the instruments issued; if such financial instruments are classified as equity instruments, they are deducted from equity.

30. Revenue

(1) General principles

The Company recognises revenue when it satisfies a performance obligation in the contract, i.e. when the customer obtains control of the relevant goods or services.

Where a contract has two or more performance obligations, the Company allocates the transaction price to each performance obligation based on the percentage of respective unit price of goods or services guaranteed by each performance obligation, and recognises as revenue based on the transaction price that is allocated to each performance obligation.

If one of the following conditions is fulfilled, the Company performs its performance obligation within a certain period; otherwise, it performs its performance obligation at a point of time:

- ① when the customer simultaneously receives and consumes the benefits provided by the Company when the Company performs its obligations under the contract;
- ② when the customer is able to control the goods in progress in the course of performance by the Company under the contract;
- ③ when the goods produced by the Company under the contract are irreplaceable and the Company has the right to payment for performance completed to date during the whole contract term.

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

30. Revenue *(Continued)*

(1) General principles *(Continued)*

For performance obligations performed within a certain period, the Company recognises revenue by measuring the progress towards complete of that performance obligation within that certain period. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be compensated, the revenue shall be recognised at the amount of costs incurred until the progress of performance can be reasonably determined.

For performance obligation performed at a point of time, the Company recognises revenue at the point of time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indications:

- ① The Company has the current right to receive payment for the goods, which is when the customer has the current payment obligations for the goods.
- ② The Company has transferred the legal title of the goods to the customer, which is when the client possesses the legal title of the goods.
- ③ The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.
- ④ The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtain all of the substantial risks and rewards of ownership of the goods to the customer.
- ⑤ The customer has accepted the goods or services.
- ⑥ Other information indicates that the customer has obtained control of the goods.

(2) Specific methods

The Company's revenue mainly comes from the following types of business: sales of goods, provision of hotel and property services, and provision of financial leasing and factoring services.

Sales of goods

The Company produces and sells machine-made paper and raw materials, electricity and steam, construction materials, papermaking chemicals, plastic automobile accessories, moulds and other products.

In terms of domestic sales, revenue is recognised at a point in time when the control over the goods is transferred after the Company has delivered the goods (other than electricity and steam) sold to the location as specified in the contract and the customer has accepted the goods.

In terms of overseas sales, revenue is recognised on the day when the goods (other than electricity and steam) sold are loaded on board and declared.

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

30. Revenue *(Continued)*

(2) Specific methods *(Continued)*

Sales of goods *(Continued)*

The sales of electricity and steam by the Company are performance obligations performed within a certain period. For sales of electricity, the Company recognises revenue from sales of electricity based on the quantity of electricity delivered to customers every month at a price agreed in the contract. For sales of steam, the Company recognises revenue from sales of steam based on the amount of steam delivered to customers every month at a price agreed in the contract.

The credit periods granted by the Company to customers in various industries are consistent with the practices of various industries, therefore, there is no significant financing component.

The Company provides product quality assurance for the sales of products and recognises corresponding provisions. The Company does not provide any additional services or additional quality assurance, so the product quality assurance does not constitute a separate fulfilment obligation.

The Company's cooperation model with distributors is outright sales, and the recognition of sales revenue under the distribution model is consistent with the direct sales model.

Certain contracts between the Company and its customers contain arrangements on sales rebates which will give rise to variable consideration. Where a contract contains variable consideration, the Company determines the best estimates on the variable consideration based on expected values or the most probable amount, provided that transaction prices including variable consideration shall not exceed the cumulative amount of recognised revenue upon the removal of relevant uncertainties in connection with which a significant reversal is highly unlikely.

For sales of machine-made paper with sales return clauses, the revenue recognised is subject to the cumulative amount of recognised revenue in connection with which a significant reversal is highly unlikely. The Company recognises the liabilities according to the expected amount of refund, and recognises the carrying amount of the goods returned at the time of transfer deducting the estimated cost of recovering the goods as an asset (including the loss of the value of the returned goods).

Provision of hotel and property services

The Company provides hotel and property services to external parties. Since the customers obtain and consume the economic benefits brought by the Company's performance of the contract while the Company performs the contract, the Company recognises revenue according to the progress of the contract performance. Since the performance progress occurs evenly, the Company recognises revenue by amortising on a straight-line basis over the service period.

Provision of financial leasing and factoring services

The Company recognises revenue from external financial leasing and factoring services according to the effective interest rate.

For assets that have not experienced credit impairment, the Company determines its interest income based on the amount of the book balance of the financial asset (i.e. without considering the impact of impairment) multiplied by the effective interest rate.

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

30. Revenue *(Continued)*

(2) Specific methods *(Continued)*

Provision of financial leasing and factoring services *(Continued)*

There are two cases for financial assets with credit impairment:

For financial assets that are not credit-impaired when purchased or originated, but are credit-impaired in subsequent periods, the Company shall, in the subsequent periods when impairment occurs, determine its income based on the amount of the amortised cost of the financial asset (i.e. the book balance minus the accrued impairment) multiplied by the effective interest rate (the effective interest rate determined at the time of initial recognition, which does not change due to the occurrence of impairment).

For financial assets that are credit-impaired when purchased or originated, the Company shall, upon initial recognition, determine its income based on the amount of the amortised cost of the financial asset multiplied by the credit-adjusted effective interest rate (i.e. the interest rate at which the projected future cash flows after impairment are discounted to the amortised cost at the time of purchase or origination).

31. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. sales commission. The Company recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other ASBEs, the Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- ② the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- ③ the costs are expected to be recovered.

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

31. Contract costs *(Continued)*

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. If the amortisation period does not exceed one year, it shall be recognised in profit or loss for the current period.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates;
- ② the cost estimated to be happened for the transfer of related goods or services.

32. Government grants

A government grant is recognised when the grant will be received and that the Company will comply with the conditions attaching to the grant.

If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, it is measured at fair value; if the fair value cannot be obtained in a reliable way, it is measured at the nominal amount of RMB1.

Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as government grants related to assets, while the remaining government grants are classified as government grants related to revenue.

Regarding the government grant not clearly defined in the official documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to revenue. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to revenue.

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

32. Government grants *(Continued)*

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the asset in a reasonable and systematic manner. For a government grant related to revenue, if the grant is a compensation for related costs, expenses or losses incurred, the grant shall be recognised in profit or loss for the current period or used to offset related costs; if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, the grant shall be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs, expenses or losses are recognised, or used to offset related costs. A government grant measured at nominal amount is directly included in profit or loss for the current period. The Company adopts a consistent approach to the same or similar government grants.

A government grant related to daily activities is recognised in other gains or used to offset related costs relying on the essence of economic business; otherwise, recognised in non-operating income or used to offset non-operating expenses.

For the repayment of a government grant already recognised, if the carrying amount of relevant assets was written off at initial recognition, the carrying amount of the assets shall be adjusted; if there is any related deferred income, the repayment shall be offset against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; otherwise, the repayment shall be recognised immediately in profit or loss for the current period.

33. Deferred income tax assets/deferred income tax liabilities

Income tax comprises current income tax expense and deferred income tax expense, which are included in profit or loss for the current period as income tax expenses, except for deferred tax related to transactions or events that are directly recognised in owners' equity which are recognised in owners' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base at the balance sheet date of the Company shall be recognised as deferred income tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (other than a single transaction that the initially recognised assets and liabilities result in an equal amount of taxable temporary differences and deductible temporary differences);
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

The Company recognises a deferred income tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (other than a single transaction that the initially recognised assets and liabilities result in an equal amount of taxable temporary differences and deductible temporary differences);
- (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.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented as the net amount after offsetting when the following conditions are met at the same time:

- (1) The tax payer within the Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- (2) Deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same tax collection and administration authority on the same taxpayer within the Company.

34. Lease

(1) Identification of leases

On the beginning date of the contract, the Company (as a lessee or lessor) assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use. If a contract conveys the right to control the use of an identified asset and multiple identified assets for a period of time in exchange for consideration, the Company identifies such contract is, or contains, a lease.

(2) The Company as lessee

On the beginning date of the lease, the Company recognises right-of-use assets and lease liabilities for all leases, except for short-term lease and low-value asset lease with simplified approach.

The accounting policy for right-of-use assets is set out in Note V. 35.

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

34. Lease *(Continued)*

(2) The Company as lessee *(Continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the beginning date of the lease using the interest rate implicit in the lease. Where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments include fixed payments and in-substance fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating; and amounts expected to be payable by the lessee under residual value guarantees. Subsequently, the interest expense on the lease liability for each period during the lease term is calculated using a constant periodic rate of interest and is recognised in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are recognised in profit or loss for the period in which they actually arise.

Short-term lease

Short-term leases refer to leases with a lease term of less than 12 months from the commencement date, except for those with a purchase option.

Lease payments on short-term leases are recognised in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

For short-term leases, the Company chooses to adopt the above simplified approach for the following types of assets that meet the conditions of short-term lease according to the classification of leased assets.

Low-value equipment

Transportation vehicles

Low-value asset lease

A low-value asset lease is a lease that the value of a single leased asset is below RMB40,000 when it is a new asset.

Lease payments on low-value asset leases are recognised on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

For a low-value asset lease, the Company chooses the above simplified approach based on the specific circumstances of each lease.

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

34. Lease *(Continued)*

(2) The Company as lessee *(Continued)*

Lease modification

The Company accounts for a lease modification as a separate lease when the modification occurs and the following conditions are met: ① the lease modification expands the scope of lease by adding the right to use one or more of the leased assets; and ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Company reallocates the consideration of the modified contract, redetermines the lease term and remeasures the lease liability based on the present value of the lease payments after the modification and the revised discount rate.

If a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the carrying amount of the right-of-use asset accordingly and includes in the profit or loss for the period the gain or loss associated with the partial or complete termination of the lease.

Where other lease modifications result in a remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use asset accordingly.

(3) The Company as lessor

When the Company is a lessor, a lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All leases other than financial leases are classified as operating leases.

Finance leases

Under finance leases, the Company accounts for finance lease receivables at the beginning of the lease term at the net lease investment, which is the sum of the unsecured residual value and the present value of the lease receipts outstanding at the commencement date of the lease, discounted at the interest rate implicit in the lease. The Company as lessor calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate. Variable lease payments acquired by the Company as lessor that are not included in the net measurement of lease investments are included in profit or loss for the period when they are actually incurred.

Derecognition and impairment of finance lease receivables are accounted for in accordance with the requirements under the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets.

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

34. Lease *(Continued)*

(3) The Company as lessor *(Continued)*

Operating lease

Lease payments under operating leases are recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in relation to operating leases are capitalised and amortised over the lease term on the same basis as rental income and recognised in profit or loss for the current period. The variable lease payments obtained in relation to operating leases that are not included in the lease payments are recognised in profit or loss in the period in which they actually incurred.

Lease modification

The Company accounts for a modification in an operating lease as a new lease from the effective date of the modification and the amount of lease receipts received in advance or receivable in respect of the lease prior to the modification is treated as a receipt under the new lease.

The Company accounts for a modification in a finance lease as a separate lease when the change occurs and the following conditions are met: ① the modification expands the scope of lease by adding the right to use one or more of the leased assets; and ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a finance lease is modified and not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances: ① If the modification takes effect on the lease commencement date, the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and use the net lease investment before the effective date of the lease modification; ② If the modification takes effect on the lease commencement date, the lease will be classified as a finance lease, and the Company will conduct accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on modifying or renegotiating contracts.

(4) Sublease

When the Company is an intermediate lessor, the sublease is classified with reference to the right-of-use assets arising from the head lease. If the head lease is a short-term lease for which the Company adopts a simplified approach, then the Company classifies the sublease as an operating lease.

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

34. Lease *(Continued)*

(5) Sale and leaseback

The lessee and the lessor shall assess and determine whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the requirements of the Accounting Standard for Business Enterprises No. 14 – Revenue.

Where asset transfer under the sale and leaseback transactions is a sale, the lessee shall measure the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognise relevant profit or loss for the right transferred to the lessor. The lessor shall account for the purchase of assets in accordance with other applicable ASBEs and account for the lease of assets in accordance with this standard.

Where asset transfer under the sale and leaseback transactions is not a sale, the lessee shall continue to recognise the transferred assets while recognising a financial liability equal to the transfer income and account for such liability according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; or not to recognise the transferred assets but recognise a financial asset equal to the transfer income and account for such asset according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

35. Right-of-use assets

(1) Conditions for recognition of right-of-use assets

Right-of-use assets are defined as the right of underlying assets in the lease term for the Company as a lessee.

Right-of-use assets are initially measured at cost at the commencement date of the lease. The cost includes the amount of the initial measurement of lease liability; lease payments made at or before the inception of the lease less any lease incentives enjoyed; initial direct costs incurred by the Company as lessee; costs to be incurred in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease incurred by the Company as lessee. As a lessee, the Company recognises and measures the costs of dismantling and restoration in accordance with the Accounting Standard for Business Enterprises No. 13 – Contingencies. Subsequently, the lease liability is adjusted for any remeasurement of the lease liability.

(2) Depreciation method of right-of-use assets

The Company uses the straight-line method for depreciation. Where the Company, as a lessee, is reasonably certain to obtain ownership of the leased asset at the end of the lease term, such asset is depreciated over the remaining useful life of the leased asset. Where ownership of the lease assets during the lease term cannot be reasonably determined, right-of-use assets are depreciated over the lease term or the remainder of useful lives of the lease assets, whichever is shorter.

(3) For the methods of impairment test and impairment provision of right-of-use assets, please refer to Note V. 23.

V. Significant Accounting Policies and Accounting Estimates (Continued)

36. Production safety expenses and maintenance costs

According to relevant provisions, the Company makes provisions for production safety expenses based on the revenue of the power plant in the previous year and the prescribed percentages. The specific provisions are as follows: ① if the revenue of the previous year did not exceed RMB10 million, provisions would be made at 3%; ② if the revenue of the previous year exceeded RMB10 million but did not exceed RMB100 million, provisions would be made at 1.5%; ③ if the revenue of the previous year exceeded RMB100 million but did not exceed RMB1,000 million, provisions would be made at 1%; ④ if the revenue of the previous year exceeded RMB1,000 million but did not exceed RMB5,000 million, provisions would be made at 0.8%; ⑤ if the revenue of the previous year exceeded RMB5,000 million but did not exceed RMB10,000 million, provisions would be made at 0.6%; ⑥ if the revenue of the previous year exceeded RMB10,000 million, provisions would be made at 0.2%.

Provisions for production safety expenses are included in the cost of related products or profit or loss of the current period and included in “special reserves” correspondingly.

When the provisions for production safety expenses and maintenance costs are utilised within the prescribed scope, if such production safety expenses are applied and related to revenue expenditures, specific reserve is directly offset. When fixed assets are incurred, they are included in the “construction in progress” item and transferred to fixed assets when the status of the assets is ready for intended use. They are then offset against specific reserve based on the amount included in fixed assets while corresponding amount is recognised in accumulated depreciation. Such fixed assets are no longer depreciated in subsequent periods.

37. Repurchase of shares

Prior to cancellation or transfer of shares repurchased, the Company recognises all expenditures arising from share repurchase as cost of treasury shares in the treasury share account. Considerations and transaction fee incurred from the repurchase of shares shall lead to the elimination of owners’ equity and does not recognise profit or loss when shares of the Company are repurchased, transferred or cancelled.

The difference between the actual amount received and the carrying amount of the treasury shares are recognised as capital reserve when the treasury shares are transferred, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and retained profit. When the treasury shares are cancelled, the capital shall be eliminated according to the number of shares and par value of cancelled shares, the difference between the actual amount received and the carrying amount of the treasury shares are recognised as capital reserve, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and retained profit.

38. Debt restructuring

(1) The Company as the debtor

The debt is derecognised when the current obligation of the debt is discharged. Specifically, when the uncertainty about the execution process and results of the debt restructuring agreement is eliminated, the gains and losses related to the debt restructuring are recognised.

If debt restructuring is carried out by repaying debts with assets, the Company shall derecognise the relevant assets and the debts paid off when they meet the conditions for derecognition, and the difference between the book value of the debts paid off and the book value of the transferred assets shall be included in the current profit and loss.

If the debt is converted into equity instruments for debt restructuring, the Company shall derecognise the debts paid off when they meet the conditions for derecognition. When the Company initially recognises an equity instrument, it is measured based on the fair value of the equity instrument. If the fair value of the equity instrument cannot be measured reliably, it is measured based on the fair value of the debt paid off. The difference between the book value of the debts paid off and the recognised amount of the equity instrument shall be included in the current profit and loss.

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

38. Debt restructuring *(Continued)*

(1) The Company as the debtor *(Continued)*

When a debt restructuring involves the modification of other terms of a debt, the Company shall recognise and measure the restructured debts in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments.

When a debt is settled by multiple assets or combination of various methods in a debt restructuring, the Company shall recognise and measure the equity instruments and restructured debts in accordance with the aforementioned methods, and the difference between the book value of the debts paid off and the sum of the book value of the transferred assets and the recognised amount of the equity instruments and restructured debts shall be included in the current profit and loss.

(2) The Company as the creditor

The debt receivable are derecognised when the contractual rights to receive the cash flows under the debt receivable expire. Specifically, when the uncertainty about the execution process and results of the debt restructuring agreement is eliminated, the gains and losses related to the debt restructuring are recognised.

If debt restructuring is carried out by repaying debts with assets, the Company shall initially recognise assets other than the transferred financial assets at cost. In particular, the cost of inventories includes the fair value of the debt receivable and any directly attributable expenditure, including taxes, transportation costs, handling costs, insurance and other costs, for bringing the assets to the current position and condition; the cost of investment in associates or joint ventures includes the fair value of the debt receivable and any directly attributable expenditure, including taxes; the cost of investment property includes the fair value of the debt receivable and any directly attributable expenditure, including taxes; the cost of fixed assets includes the fair value of the debt receivable and any directly attributable expenditure, including taxes, transportation costs, handling costs, installation costs, professional service fees and other costs, for bringing the assets to the status for intended use; the cost of intangible assets includes the fair value of the debt receivable and any directly attributable expenditure, including taxes, for bringing the assets to the status for intended use. The difference between the fair value and the book value of the debt receivable is included in the current profit and loss.

When the debt restructuring causes the Company to convert the debt receivable to an equity investment of joint ventures or associates, the Company shall measure the equity investment based on the sum of the fair value of debt receivable, and any directly attributable taxes and other costs of the investment. The difference between the fair value and the book value of the debt receivable is recognised in the current profit and loss.

When a debt restructuring involves the modification of other terms of a debt, the Company recognises and measures the restructured debt receivable in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

When a debt is settled by multiple assets or combination of various methods in a debt restructuring, the Company first recognises and measures the financial assets received and restructured debt receivable in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and then allocates the net value, which is the fair value of the debt receivable deducted by the recognised amount of financial assets received and restructured debt receivable, to the costs of non-financial assets received based on their relative fair value. The difference between the fair value and the book value of the debt receivable is recognised in the current profit and loss.

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

39. 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.

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.

Measurement of past due credit losses on finance lease receivables

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 takes into account the current status and repayment ability of the counterparty while considering the value of collateral, guarantees and other credit enhancement measures related to the lease receivables.

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

39. Critical accounting judgments and estimates *(Continued)*

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.

Impairment of goodwill

The Company assesses the impairment of goodwill at least annually, which requires estimates of the use value of asset groups allocated with goodwill. When estimating the use value, the Company is required to estimate the future cash flows from such asset groups while selecting the appropriate discount rate to calculate the present value of future cash flows.

Impairment of inventories

On the balance sheet date, the Company determines the net realisable value of its inventories based on the estimated selling prices of the inventories, less costs estimated to be incurred upon completion, estimated selling expenses and related taxes. The determination of net realisable value of inventories is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of events after the balance sheet date. Provision for decline in value of inventories is made when their net realisable value is lower than the cost.

Impairment of fixed assets and long-term equity investments

The Company assesses the impairment of fixed assets and long-term equity investments at least annually. When any event or change in circumstances indicates that the carrying amount may not be recoverable, the carrying amount of such project is reviewed for impairment. If the carrying amount of an asset exceeds its recoverable amount, impairment loss is recognised for the difference. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. A number of assumptions are made in estimating the recoverable amount of assets, including future cash flows and discount rates relating to non-current assets. If future events differ from these assumptions, the recoverable amount shall be revised, which may have an impact on the operations or financial position of the Company.

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

40. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

① Interpretation No. 16 of the Accounting Standards for Business Enterprises

The Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) ("Interpretation No. 16") in November 2022.

Interpretation No. 16 stipulates that, for a single transaction that is not a business combination, that affects neither the accounting profits nor the taxable income (or deductible loss) upon the occurrence of the transaction, and that the initially recognised assets and liabilities result in an equal amount of taxable temporary differences and deductible temporary differences, the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in such transaction shall be recognised for the corresponding deferred income tax liabilities and deferred income tax assets upon the occurrence of the transaction in accordance with the Accounting Standard for Business Enterprises No. 18 – Income Tax and other relevant provisions. For the above transactions that occurred between the beginning of the earliest period for the presentation of financial statements when the above provisions are first implemented and the implementation date of this interpretation, the enterprise shall, in accordance with the above provisions, adjust the cumulative impact number to the opening retained earnings and other related financial statement items for the earliest period presented in the financial statements. The above accounting treatment requirement became effective on 1 January 2023.

The leasing business of the Company mainly involves forestry companies. Since forestry companies do not pay corporate income tax, it is not necessary to make adjustments in accordance with Interpretation No. 16.

(2) Changes in significant accounting estimates

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

XII Financial Report

VI. Taxation

1. Main tax types and tax rates

Tax type	Tax base	Tax rate (%)
Value added tax (VAT)	VAT payable (VAT payable is calculated by multiplying taxable sales amount by the applicable tax rate less current deductible input VAT)	13/9/6
Property tax	Rental income and property price	1.2/12
Urban maintenance and construction tax	Actual turnover tax paid	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
Huanggang Chenming Pulp & Paper Co., Ltd.	15
Kunshan Tuoan Plastic Products Co., Ltd.	15
Shouguang Xinyuan Coal Co., Ltd.	20
Shouguang Chenming Papermaking Machine Co., Ltd.	20
Shouguang Wei Yuan Logistics Company Limited	20
Shouguang Shun Da Customs Declaration Co., Ltd.	20
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Nanchang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Chenming Arboriculture Co., Ltd.	Exempt from EIT
Yangjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT

2. Tax incentives

(1) Enterprise income tax

On 15 December 2021, the Company received a high and new technology enterprise certificate with a certification number of GR202137005666. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, the Company is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202137005468 on 15 December 2021. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202222000414 on 29 November 2022. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jilin Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2022 to 2024.

VI. Taxation *(Continued)*

2. Tax incentives *(Continued)*

(1) Enterprise income tax *(Continued)*

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202236000018 on 4 November 2022. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jiangxi Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2022 to 2024.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202144001212 on 20 December 2021. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Zhanjiang Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Huanggang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202342003128 on 5 December 2023. 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 2023 to 2025.

Kunshan Tuonan Plastic Products Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202032004526 on 1 December 2023. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Kunshan Tuonan is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2023 to 2025.

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.

Shouguang Xinyuan Coal Co., Ltd., Shouguang Chenming Papermaking Machine Co., Ltd., Shouguang Wei Yuan Logistics Company Limited and Shouguang Shun Da Customs Declaration Co, Ltd., which are subsidiaries of the Company, are small and micro enterprises. Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises (Cai Shui [2022] No. 13) and the Announcement of the Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Business (Cai Shui [2023] No. 6), the annual taxable income of a small low-profit enterprise that is less than RMB3 million shall be included in its taxable income at a reduced rate of 25%, with the applicable enterprise income tax rate of 20%.

(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.

XII Financial Report

VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	3,674,805.36	3,491,219.08
Bank deposit	760,558,937.25	2,155,968,930.43
Other monetary funds	11,321,241,125.05	11,756,140,645.56
Interest accrued on deposits	39,357,963.64	84,834,191.01
Total	12,124,832,831.30	14,000,434,986.08
Of which: Total deposits in overseas banks	261,470,228.68	593,378,097.70

Other explanations:

- ① Other monetary funds of RMB6,783,005,857.83 were the guarantee deposit for the application for acceptance bills by the Company;
- ② Other monetary funds of RMB4,165,425,137.12 were the guarantee deposit for the application for letter of credit with the banks by the Company;
- ③ Other monetary funds of RMB270,390,192.29 were the guarantee deposit for the application for loans with the banks by the Company;
- ④ Other monetary funds of RMB54,020,000.00 were the Company's statutory reserve deposits at the People's Bank of China;
- ⑤ Other monetary funds of RMB48,399,937.81 were locked-up due to reasons such as litigations or being unused for a long time, resulting in restriction on the use of that account's balance.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	46,294,291.71	74,708,444.88
Of which:		
Investment in equity instruments	46,294,291.71	74,708,444.88
Total	46,294,291.71	74,708,444.88

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

XII Financial Report

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

3. Bills receivable

(1) Bills receivable by category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills		
Commercial acceptance bills	411,600,000.00	
Total	411,600,000.00	

(2) Bills receivable endorsed or discounted by the Company but not yet due as at the balance sheet date

Unit: RMB

Item	Amount derecognised as at the end of the period	Amount not yet derecognised as at the end of the period
Bank acceptance bills		
Commercial acceptance bills		409,000,000.00
Total		409,000,000.00

4. Accounts receivable

(1) Disclosure by ageing

Unit: RMB

Ageing	Closing book balance	Opening book balance
Within 1 year (including 1 year)	1,561,046,809.05	2,555,600,334.26
1 to 2 years	385,112,389.04	729,245,049.07
2 to 3 years	722,669,952.03	84,102,055.67
Over 3 years	408,747,914.19	331,613,405.79
Subtotal	3,077,577,064.31	3,700,560,844.79
Less: Bad debts provision	549,070,004.48	488,300,398.83
Total	2,528,507,059.83	3,212,260,445.96

The basis used by the ageing analysis of the accounts receivable of the Company: the ageing of accounts receivable is the length of time of the Company's outstanding accounts receivable based on invoice date. The closing balance is recognised one by one from the end of the period onwards until the amounts add up to the balance. It is also broken up by intervals of within 1 year, 1-2 years, 2-3 years and over 3 years.

XII Financial Report

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

4. Accounts receivable (Continued)

(2) Disclosure by bad debt provision method

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debts provision		Carrying amount	Book balance		Bad debts provision		Carrying amount
	Amount	Percentage (%)	Amount	Provision percentage (%)		Amount	Percentage (%)	Amount	Provision percentage (%)	
Accounts receivable assessed individually for bad debt provision	201,074,254.68	6.53	193,132,546.68	96.05	7,941,708.00	226,667,597.47	6.13	226,667,597.47	100.00	
Accounts receivable assessed collectively for bad debt provision	2,876,502,809.63	93.47	355,937,457.80	12.37	2,520,565,351.83	3,473,893,247.32	93.87	261,632,801.36	7.53	3,212,260,445.96
Of which:										
Due from related party customers	2,359.03		23.18	0.98	2,335.85	8,639,295.98	0.23	1,775,510.01	20.55	6,863,785.97
Due from non-related party customers	1,545,540,409.94	50.22	81,008,019.20	5.24	1,464,532,390.74	2,081,296,530.28	56.24	52,357,160.25	2.52	2,028,939,370.03
Factoring receivables	1,330,960,040.66	43.25	274,929,415.42	20.66	1,056,030,625.24	1,383,957,421.06	37.40	207,500,131.10	14.99	1,176,457,289.96
Total	3,077,577,064.31	100.00	549,070,004.48	17.84	2,528,507,059.83	3,700,560,844.79	100.00	488,300,398.83	13.20	3,212,260,445.96

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
Foshan Shunde Xingchen Paper Co., Ltd.	26,697,528.70	26,697,528.70	100.00	Long outstanding
Wuhan Tianrui Paper Co., Ltd.	17,600,000.00	9,658,292.00	54.88	Long outstanding
Shandong Bisheng Printing Materials Co., Ltd.	14,813,369.27	14,813,369.27	100.00	Long outstanding
Zhengzhou Hongyang Paper Products Co., Ltd.	14,753,432.93	14,753,432.93	100.00	Long outstanding
Henan Yibang Technology Trading Co., Ltd.	13,396,601.22	13,396,601.22	100.00	Long outstanding
49 companies including Shandong Yiming New Material Technology Corp Co., Ltd.	68,319,511.16	68,319,511.16	100.00	Long outstanding
Total	201,074,254.68	193,132,546.68	96.05	

XII Financial Report

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

4. Accounts receivable (Continued)

(2) Disclosure by bad debt provision method (Continued)

Unit: RMB

Name	Book balance	Opening balance		Provision reason
		Bad debts provision	Provision percentage (%)	
Hengfeng Hongyuan Real Estate Holdings Co., Ltd.	45,493,811.40	45,493,811.40	100.00	Long outstanding
Ningxia Lingwu Baota Dagu Storage and Transportation Co., Ltd.	27,600,000.00	27,600,000.00	100.00	Long outstanding
Foshan Shunde Xingchen Paper Co., Ltd.	26,236,528.70	26,236,528.70	100.00	Long outstanding
Zhengzhou Hongyang Paper Products Co., Ltd.	15,113,432.93	15,113,432.93	100.00	Long outstanding
Shandong Bisheng Printing Materials Co., Ltd.	14,813,369.27	14,813,369.27	100.00	Long outstanding
Henan Yibang Technology Trading Co., Ltd.	13,396,601.22	13,396,601.22	100.00	Long outstanding
91 companies including Shandong Yiming New Material Technology Corp Co., Ltd.	84,013,853.95	84,013,853.95	100.00	Long outstanding
Total	226,667,597.47	226,667,597.47	100.00	

Explanation: Although Wuhan Tianrui Paper Co., Ltd. has not repaid the loan for a long time, it has not fully provided for bad debts because the company has paid a deposit when the transaction occurred, and part of such deposit may offset part of the losses.

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

Unit: RMB

Name	Book balance	Closing balance	
		Bad debts provision	Provision percentage (%)
Within 1 year	2,359.03	23.18	0.98
Total	2,359.03	23.18	0.98

XII Financial Report

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

4. Accounts receivable (Continued)

(2) Disclosure by bad debt provision method (Continued)

Items assessed collectively for bad debt provision: Receivables from non-related party customer

Unit: RMB

Name	Book balance	Closing balance	
		Bad debts provision	Provision percentage (%)
Within 1 year	1,458,683,180.60	16,840,049.45	1.15
1 to 2 years	27,055,122.42	7,706,275.20	28.48
2 to 3 years	2,653,285.39	1,257,903.84	47.41
Over 3 years	57,148,821.53	55,203,790.71	96.60
Total	1,545,540,409.94	81,008,019.20	5.24

Items assessed collectively for bad debt provision: Factoring receivables

Name	Book balance	Closing balance	
		Bad debts provision	Provision percentage (%)
Within 1 year	102,361,269.42	5,889,841.55	5.75
1 to 2 years	358,057,266.62	62,541,844.75	17.47
2 to 3 years	720,016,666.64	159,286,903.11	22.12
Over 3 years	150,524,837.98	47,210,826.01	31.36
Total	1,330,960,040.66	274,929,415.42	20.66

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs:

Applicable Not applicable

XII Financial Report

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

4. Accounts receivable (Continued)

(3) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period		Others	Closing balance
			Recovery or reversal	Written-off		
Bad debts provision	488,300,398.83	122,209,693.68	25,756,340.18	28,227,331.68	-7,456,416.17	549,070,004.48
Total	488,300,398.83	122,209,693.68	25,756,340.18	28,227,331.68	-7,456,416.17	549,070,004.48

Explanation: "Others" includes an increase in bad debts of RMB80,960.58 from subsidiaries newly included in the scope of consolidation, a decrease in bad debts of RMB7,553,635.68 from disposal of subsidiaries, and an increase in bad debts of RMB16,258.93 due to changes in exchange rates.

(4) Actual write-off of accounts receivable for the period

Unit: RMB

Item	Write-off amount
Actual write-off of accounts receivable	28,227,331.68

XII Financial Report

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

4. Accounts receivable (Continued)

(5) Top five accounts receivable and contract assets based on closing balance of debtors

The total amount of top five accounts receivable and contract assets based on closing balance of debtors for the period amounted to RMB1,128,033,226.63 in total, accounting for 36.65% of the total closing balance of accounts receivable and contract assets. The closing balance of the corresponding bad debt provision amounted to RMB234,168,549.51 in total.

Unit: RMB

Name of entity	Closing balance of accounts receivable	As a percentage of the closing balance of the total accounts receivable (%)	Closing balance of bad debt provision of accounts receivable
Customer 1	481,810,233.33	15.66	89,484,999.34
Customer 2	222,656,666.64	7.23	46,862,597.55
Customer 3	198,805,660.00	6.46	36,107,859.62
Customer 4	121,908,333.33	3.96	26,743,299.67
Customer 5	102,852,333.33	3.34	34,969,793.33
Total	1,128,033,226.63	36.65	234,168,549.51

5. Accounts receivable financing

(1) Accounts receivable financing by category

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	215,884,249.97	924,960,384.16
Total	215,884,249.97	924,960,384.16

Explanation: All the accounts receivable financing of the Company were bank acceptance bills. Since the terms of the bank acceptance bills did not exceed one year, and both parties to the endorsement of the bills agreed to offset equal amounts of accounts receivable and payable based on the face value of the bills, fair value equalled amortised cost.

Certain subsidiaries of the Company discount and endorse part of the bank acceptance bills based on their daily capital management needs. Therefore, the bank acceptance bills of the subsidiaries are classified as financial assets measured at fair value through other comprehensive income.

The Company has no bank acceptance bill assessed individually for impairment provision. At the end of the period, the Company believed that there is no significant credit risk in the bank acceptance bills held and no major losses will be incurred due to default of banks.

XII Financial Report

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

5. Accounts receivable financing (Continued)

(2) Accounts receivable financing pledged by the Company as at the end of the period

Unit: RMB

Item	Amount pledged as at the end of the period
Bank acceptance bills	90,551,168.01
Total	90,551,168.01

(3) Accounts receivable financing endorsed or discounted but not yet due as at the balance sheet date

Unit: RMB

Item	Amount derecognised as at the end of the period	Amount not yet derecognised as at the end of the period
Bank acceptance bills	8,682,068,295.36	
Total	8,682,068,295.36	

Explanation: The credit risk and deferred payment risk of bank acceptance bills used for discounting were very small, and the interest rate risk related to the bills had been transferred to the banks. It was determined that the major risks and rewards of the ownership of the bills had been transferred, so these bills were derecognised.

XII Financial Report

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

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	2,224,904,557.88	1,717,445,443.44
Total	2,224,904,557.88	1,717,445,443.44

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	2,691,372,170.61	2,108,991,172.35
Reserve and borrowings	27,444,170.92	26,270,269.00
Guarantee deposit and deposit	12,578,821.54	12,230,367.80
Others	3,445,072.68	52,332,819.95
Subtotal	2,734,840,235.75	2,199,824,629.10
Bad debts provision	509,935,677.87	482,379,185.66
Total	2,224,904,557.88	1,717,445,443.44

2) Disclosure by ageing

Unit: RMB

Ageing	Closing book balance	Opening book balance
Within 1 year (including 1 year)	1,052,737,595.00	617,314,987.00
1 to 2 years	291,207,253.53	257,038,289.93
2 to 3 years	204,348,508.24	702,427,199.71
Over 3 years	1,186,546,878.98	623,044,152.46
Subtotal	2,734,840,235.75	2,199,824,629.10
Bad debts provision	509,935,677.87	482,379,185.66
Total	2,224,904,557.88	1,717,445,443.44

The basis used by the ageing analysis: the ageing of other receivables is the length of time of the Company's outstanding other receivables based on invoice date. The closing balance is recognised one by one from the end of the period onwards until the amounts add up to the balance. It is also broken up by intervals of within 1 year, 1-2 years, 2-3 years and over 3 years.

XII Financial Report

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

6. Other receivables *(Continued)*

(1) Other receivables *(Continued)*

3) Particulars of bad debt provision

When one or more of the following circumstances occurs, it is considered as “a significant increase in credit risk upon initial recognition” and shall be assigned to stage 2: the payment has been overdue for more than 30 days but not more than 90 days; the debtor encountered an adverse event that affected its solvency; significant adverse changes in the value of collateral or the quality of guarantees or credit enhancements provided by third parties.

When one or more of the following circumstances occurs, it is considered as “credit impairment has occurred” and shall be assigned to stage 3: the payment has been overdue for more than 90 days; the debtor encountered major financial difficulties or was likely to go bankrupt or undergo other financial restructuring; other situations that violate contractual agreements and indicate that there is objective evidence of impairment of financial assets.

Closing bad debt provision at stage 1:

Category	Book balance	ECL rate (%) for the next 12 months	Bad debts provision	Carrying amount	Reason
Bad debt provision assessed collectively	978,497,901.51	8.95	87,540,266.28	890,957,635.23	
Amount due from government agencies	15,932,733.78	95.70	15,247,340.04	685,393.74	
Amount due from related parties	313,234,651.44	3.54	11,094,651.84	302,139,999.60	
Other receivables	649,330,516.29	9.42	61,198,274.40	588,132,241.89	
Total	978,497,901.51	8.95	87,540,266.28	890,957,635.23	

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 stage 3:

Category	Book balance	ECL rate (%) over the entire life	Bad debts provision	Carrying amount	Reason
Bad debt provision assessed individually	1,756,342,334.24	24.05	422,395,411.59	1,333,946,922.65	
Total	1,756,342,334.24	24.05	422,395,411.59	1,333,946,922.65	

XII Financial Report

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

6. Other receivables (Continued)

(1) Other receivables (Continued)

3) Particulars of bad debt provision (Continued)

Bad debt provision assessed individually:

Category	Book balance	ECL rate (%) over the entire life	Bad debts provision	Carrying amount	Reason
Customer 1	472,854,783.56	16.00	75,656,765.37	397,198,018.19	Uncertain recovery to a certain extent
Customer 2	453,002,316.85	32.00	144,960,741.39	308,041,575.46	Uncertain recovery to a certain extent
Customer 3	390,000,000.00	2.00	7,800,000.00	382,200,000.00	Uncertain recovery to a certain extent
Customer 4	143,940,305.63	50.00	71,970,152.82	71,970,152.81	Uncertain recovery to a certain extent
Customer 5	114,840,000.00	15.30	17,569,808.66	97,270,191.34	Uncertain recovery to a certain extent
Customer 6	38,198,114.75	51.07	19,506,495.10	18,691,619.65	Uncertain recovery to a certain extent
137 customers including customer 7	143,506,813.45	59.18	84,931,448.25	58,575,365.20	Uncertain recovery to a certain extent
Total	1,756,342,334.24	24.05	422,395,411.59	1,333,946,922.65	

Bad debt provision based on the general model of ECLs:

Unit: RMB

Bad debts provision	Stage 1 ECLs for the next 12 months	Stage 2 Lifetime ECLs (not credit-impaired)	Stage 3 Lifetime ECLs (credit-impaired)	Total
Balance as at 1 January 2023	73,559,281.09		408,819,904.57	482,379,185.66
Balance as at 1 January 2023 for the period				
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Provision for the period	27,532,494.11		60,200,321.84	87,732,815.95
Reversal for the period	13,599,712.04		26,769,796.22	40,369,508.26
Transfer for the period				
Write-off for the period				
Other changes	48,203.12		-19,855,018.60	-19,806,815.48
Balance as at 30 June 2023	87,540,266.28		422,395,411.59	509,935,677.87

Explanation: "Other changes" includes an increase in bad debts of RMB48,557.76 from subsidiaries newly included in the scope of consolidation, and a decrease in bad debts of RMB19,855,373.24 from disposal of subsidiaries.

XII Financial Report

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

6. Other receivables (Continued)

(1) Other receivables (Continued)

3) Particulars of bad debt provision (Continued)

Changes in carrying book balances with significant changes in loss provision for the period

Applicable Not applicable

4) 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		Others	Closing balance
			Recovery or reversal	Transfer or write-off		
Bad debts provision	482,379,185.66	87,732,815.95	40,369,508.26		-19,806,815.48	509,935,677.87
Total	482,379,185.66	87,732,815.95	40,369,508.26		-19,806,815.48	509,935,677.87

Explanation: "Other changes" includes an increase in bad debts of RMB48,557.76 from subsidiaries newly included in the scope of consolidation, and a decrease in bad debts of RMB19,855,373.24 from disposal of subsidiaries.

XII Financial Report

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

6. Other receivables (Continued)

(1) Other receivables (Continued)

5) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five other receivables based on closing balance of debtors for the year was RMB1,923,109,802.01, which accounted for 70.32% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB228,417,506.76.

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	As a percentage of the closing balance of total other receivables (%)	Closing balance of bad debt provision
Customer 1	Consideration for debt transfer	472,854,783.56	3 to 4 years	17.29	75,656,765.37
Customer 2	Consideration for debt transfer	453,002,316.85	4 to 5 years	16.56	144,960,741.39
Customer 3	Consideration for debt transfer	390,000,000.00	Within 1 year	14.26	7,800,000.00
Customer 4	Consideration for equity transfer	380,000,000.00	Within 1 year	13.90	
Customer 5	Financial support	227,252,701.60	Within 1 year	8.31	
Total	—	1,923,109,802.01	—	70.32	228,417,506.76

XII Financial Report

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

7. Prepayments

(1) Prepayments by ageing

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	790,687,918.61	95.83	749,904,460.45	95.14
1 to 2 years	34,447,237.60	4.17	38,287,166.37	4.86
Total	825,135,156.21	100.00	788,191,626.82	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 RMB274,254,687.28, accounting for 33.24% of the closing balance of the total prepayments.

Unit: RMB

Name of entity	Closing balance of prepayments	As a percentage of the closing balance of the total prepayments (%)
Customer 1	86,127,651.36	10.44
Customer 2	58,175,348.47	7.05
Customer 3	45,563,144.13	5.52
Customer 4	45,025,905.82	5.46
Customer 5	39,362,637.50	4.77
Total	274,254,687.28	33.24

XII Financial Report

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

8. Inventories

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

No

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Opening balance		
		Impairment provision for inventories or performance costs	Carrying amount	Impairment provision for inventories or performance costs	Carrying amount	
Raw materials	1,977,478,797.85	18,030,837.14	1,959,447,960.71	2,488,652,200.15	18,096,641.64	2,470,555,558.51
Work-in-process products	102,415,558.33		102,415,558.33	111,248,779.69		111,248,779.69
Goods in stock	1,413,366,440.57	1,030,048.86	1,412,336,391.71	1,622,062,893.55	16,737,849.96	1,605,325,043.59
Developing costs				1,138,178,959.32		1,138,178,959.32
Consumable biological assets	1,483,978,089.61		1,483,978,089.61	1,496,607,818.84		1,496,607,818.84
Total	4,977,238,886.36	19,060,886.00	4,958,178,000.36	6,856,750,651.55	34,834,491.60	6,821,916,159.95

Note: Consumable biological assets are forestry assets.

(2) Impairment provision for inventories

Unit: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	18,096,641.64			65,804.50		18,030,837.14
Goods in stock	16,737,849.96	28,276,760.91		43,984,562.01		1,030,048.86
Total	34,834,491.60	28,276,760.91		44,050,366.51		19,060,886.00

Impairment provision for inventories or performance costs (continued)

Item	Basis for recognition of net realisable value/ residual consideration with future cost	Reason for reversal or written-off of impairment provision for inventories/performance costs during the period
Raw materials	The cost of raw materials is higher than their net realisable value	Written-off of impairment provision for inventories due to sales of impaired spare parts during the period
Goods in stock	The cost of goods in stock is higher than their net realisable value	Written-off of impairment provision for inventories due to sales of impaired goods in stock during the period

XII Financial Report

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

9. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	4,161,725,935.75	3,998,724,415.85
Total	4,161,725,935.75	3,998,724,415.85

Explanations: ① Long-term receivables due within one year amounting to RMB4,054,545,080.32 (amount for the beginning of the period: RMB3,920,915,510.01) were financial lease receivables;

② Long-term receivables due within one year amounting to RMB107,180,855.43 (amount for the beginning of the period: RMB77,808,905.84) were deposits receivable.

Significant receivables assessed individually for bad debt provision in financial lease receivables

Category	Book balance	Lifetime ECL rate (%)	Bad debts provision	Carrying amount	Reason
Customer 1	1,556,962,582.20	16.90	263,126,676.39	1,293,835,905.81	Uncertain recovery to a certain extent
Customer 2	922,513,485.88	25.00	230,628,375.00	691,885,110.88	Uncertain recovery to a certain extent
Customer 3	485,296,142.90	42.00	203,824,380.02	281,471,762.88	Uncertain recovery to a certain extent
Total	2,964,772,210.98	23.53	697,579,431.41	2,267,192,779.57	

10. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Input tax amount to be deducted	119,271,427.68	141,038,575.79
Prepaid tax	47,645,192.37	92,806,690.76
Receivables under financial lease due within one year	400,411,532.31	340,546,803.50
Factoring receivables due within one year	261,871,191.52	298,446,276.63
Prepaid expenses	201,963,827.62	241,313,507.50
Other payments	37,663,773.28	66,655,947.44
Total	1,068,826,944.78	1,180,807,801.62

XII Financial Report

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

11. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance		Discount rate range
		Bad debts provision	Carrying amount		Bad debts provision	Carrying amount	
Finance lease payments	5,329,611,463.14	1,070,429,664.01	4,259,181,799.13	6,739,718,184.27	1,302,116,713.90	5,437,601,470.37	4%-12%
Less: Unrealised financing income	66,941,274.36		66,941,274.36	271,455,622.37		271,455,622.37	
Deposits for equipment lease financing	329,246,696.64		329,246,696.64	351,446,696.64		351,446,696.64	
Less: Unrealised financing income	20,467,752.31		20,467,752.31	32,060,345.32		32,060,345.32	
Subtotal	5,571,449,133.11	1,070,429,664.01	4,501,019,469.10	6,787,648,913.22	1,302,116,713.90	5,485,532,199.32	
Less: Long-term receivables due within one year	5,229,345,488.65	1,067,619,552.90	4,161,725,935.75	5,075,152,713.36	1,076,428,297.51	3,998,724,415.85	
Total	342,103,644.46	2,810,111.11	339,293,533.35	1,712,496,199.86	225,688,416.39	1,486,807,783.47	

(2) Disclosure based on bad debt provision

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage (%)	Bad debts provision			Amount	Percentage (%)	Bad debts provision		
			Amount	Provision percentage (%)				Amount	Provision percentage (%)	
Accounts receivable assessed individually for impairment					1,147,177,668.74	66.99	222,451,005.54	19.39	924,726,663.20	
Of which: Financial lease payments					1,147,177,668.74	66.99	222,451,005.54	19.39	924,726,663.20	
Accounts receivable assessed collectively for impairment	342,103,644.46	100.00	2,810,111.11	0.82	339,293,533.35	565,318,531.12	33.01	3,237,410.85	0.57	562,081,120.27
Of which: Receivables not past due	140,505,555.56	41.07	2,810,111.11	2.00	137,695,444.45	323,741,085.64	18.90	3,237,410.85	1.00	320,503,674.79
Deposits receivable	201,598,088.90	58.93			201,598,088.90	241,577,445.48	14.11			241,577,445.48
Total	342,103,644.46	100.00	2,810,111.11	0.82	339,293,533.35	1,712,496,199.86	100.00	225,688,416.39	13.18	1,486,807,783.47

XII Financial Report

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

11. Long-term receivables (Continued)

(2) Disclosure based on bad debt provision (Continued)

Accounts receivable assessed individually for bad debt provision

Name	Book balance	Closing balance for prior year		Provision reason
		Bad debts provision	ECL rate (%)	
Customer 1	958,754,877.25	184,502,697.18	19.24	Uncertain to a certain extent in respect of repayment
Customer 2	100,094,782.78	25,000,000.00	24.98	Uncertain to a certain extent in respect of repayment
Customer 3	88,328,008.71	12,948,308.36	14.66	Uncertain to a certain extent in respect of repayment
Total	1,147,177,668.74	222,451,005.54	19.39	\

Accounts receivable assessed collectively for bad debt provision

Collectively assessed item: receivables not past due

	Closing balance			Closing balance for prior year		
	Long-term receivables	Bad debts provision	ECL rate (%)	Long-term receivables	Bad debts provision	ECL rate (%)
Within 1 year						
1 to 2 years	140,505,555.56	2,810,111.11	2.00	183,235,530.08	1,832,355.30	1.00
2 to 3 years				140,505,555.56	1,405,055.55	1.00
Total	140,505,555.56	2,810,111.11	2.00	323,741,085.64	3,237,410.85	1.00

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

11. Long-term receivables (Continued)

(2) Disclosure based on bad debt provision (Continued)

Collectively assessed item: Deposits receivable

	Closing balance			Closing balance for prior year		
	Long-term receivables	Bad debts provision	ECL rate (%)	Long-term receivables	Bad debts provision	ECL rate (%)
Within 1 year						
1 to 2 years	136,426,669.75			108,284,310.81		
2 to 3 years	38,434,359.53			113,937,377.76		
Over 3 years	26,737,059.62			19,355,756.91		
Total	201,598,088.90			241,577,445.48		

(3) Provision, recovery or reversal of bad debt provision for the period

Unit: RMB

Category	Opening balance	Provision	Changes in the period		Others	Closing balance
			Recovery or reversal	Transfer or write-off		
Bad debts provision	225,688,416.39	52,530,733.38	12,948,308.36		-262,460,730.30	2,810,111.11
Total	225,688,416.39	52,530,733.38	12,948,308.36		-262,460,730.30	2,810,111.11

XII Financial Report

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

12. Long-term equity investments

Unit: RMB

Investee	Opening balance (carrying amount)	Opening balance of impairment provision	Additional contribution	Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period		Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance (carrying amount)	Closing balance of impairment provision
						Adjustment of other comprehensive income	Other change in equity interest					
I. Joint ventures												
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	7,892,659.42				2,107,624.17			2,600,000.00			7,400,283.59	
Weifang Port Wood Chip Terminal Co., Ltd.	74,848,570.73				4,293,509.83						79,142,080.56	
Shouguang Meite Environmental Technology Co., Ltd.	8,921,843.88				10,144,679.91						19,066,523.79	
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	2,359,998,661.67				-15,428,414.12						2,344,570,247.55	
Weifang Xingxing United Chemical Co., Ltd.	91,874,385.12										91,874,385.12	
Subtotal	2,543,536,120.82				1,117,399.79			2,600,000.00			2,542,053,520.61	
II. Associates												
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	36,776,710.91				487,093.45			10,000,000.00			27,263,804.36	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	197,218,318.77				90,910,511.36			10,000,000.00			278,128,830.13	
Nanchang Tianchen Port Co., Ltd.			59,345,429.05		3,230,480.64			4,428,403.30			58,147,506.39	
Goldtrust Futures Co., Ltd.	178,389,182.83				9,397,443.45						187,786,626.28	
Xuchang Chenming Paper Co., Ltd.		5,994,545.96										5,994,545.96
Chenming (Qingdao) Asset Management Co., Ltd.	6,482,035.69				1,895,108.96						8,377,144.65	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.			254,998,849.78		-3,079,947.47						251,918,902.31	
Guangdong Nanyue Bank Co., Ltd.	1,314,611,000.54				24,976,831.82	-1,224,007.02	-6,840,774.34				1,331,523,051.00	
Subtotal	1,733,477,248.74	5,994,545.96	314,344,278.83		127,817,522.21	-1,224,007.02	-6,840,774.34	24,428,403.30			2,143,145,865.12	5,994,545.96
Total	4,277,013,369.56	5,994,545.96	314,344,278.83		128,934,922.00	-1,224,007.02	-6,840,774.34	27,028,403.30			4,685,199,385.73	5,994,545.96

Explanation:

- ① As the Company disposed part of its equity interest in Wuhan Chenming Hanyang Paper Holdings Co., Ltd., the Company lost its control over Wuhan Chenming Hanyang Paper Holdings Co., Ltd. but still exert its significant influence on Wuhan Chenming Hanyang Paper Holdings Co., Ltd., which has been accounted for using equity method from the date of loss of control.
- ② Weifang Xingxing United Chemical Co., Ltd. was completely shut down due to demolition and relocation, and each of the shareholders planned to withdraw their investments. The Company ceased to account for Weifang Xingxing United Chemical Co., Ltd. using the equity method, and the carrying amount as at the end of the period was basically in line with the expected recoverable amount.

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

12. Long-term equity investments (Continued)

Determination of net amount of recoverable amount measure at fair value after deducting disposal expenses

Applicable Not applicable

Determination of present value of recoverable amount based on expected cash flows

Applicable Not applicable

13. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Investment in debt instruments	659,099,016.38	663,000,000.00
Investment in equity instruments	122,462,024.19	123,750,761.62
Total	781,561,040.57	786,750,761.62

XII Financial Report

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

14. Investment property

(1) Investment property under the cost method

√ Applicable □ Not applicable

Unit: RMB

Item	Housing and building structure	Land use rights	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	7,160,214,568.83		7,160,214,568.83	
2. Increase during the period				
3. Decrease during the period	17,293,354.96		17,293,354.96	
(1) Disposal	17,293,354.96		17,293,354.96	
4. Closing balance	7,142,921,213.87		7,142,921,213.87	
II. Accumulated depreciation and accumulated amortisation				
1. Opening balance	903,491,455.68		903,491,455.68	
2. Increase during the period	198,074,211.59		198,074,211.59	
(1) Provision or amortisation	198,074,211.59		198,074,211.59	
3. Decrease during the period	7,887,149.76		7,887,149.76	
(1) Disposal	7,887,149.76		7,887,149.76	
4. Closing balance	1,093,678,517.51		1,093,678,517.51	
III. Impairment provision				
IV. Carrying amount				
1. Closing carrying amount	6,049,242,696.36		6,049,242,696.36	
2. Opening carrying amount	6,256,723,113.15		6,256,723,113.15	

XII Financial Report

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

14. Investment property (Continued)

(1) Investment property under the cost method (Continued)

Note: Investment properties under the Company primarily include:

- ① Pujiang International Finance Plaza, located at No. 1098, Dongdaming Road, Hongkou District, Shanghai, is a long-term held office property of Shanghai Hongtai Real Estate Co., Ltd., a subsidiary of the Company, and leasehold land 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, and leasehold land mainly used for external rental or office purposes;
- ③ Fatum Apartment (法朵公寓), located at No. 463, Anbo Road, No. 22, Lane 467, Anbo Road, Yangpu District, Shanghai, is a long-term held apartment property of Shanghai Herui Investment Co., Ltd., a subsidiary of the Company, and leasehold land 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 Property Management Co., Ltd., a subsidiary of the Company, and leasehold land 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 Property Management Co., Ltd., a subsidiary of the Company, and leasehold land mainly used for external rental purposes.
- ⑥ Shanghai Xizang South Road shop, located at No. 518-528 Xizang South Road, Shanghai, is a long-term store held by Wuhan Junheng Property Management Co. Ltd., a subsidiary, and leasehold land mainly for external rental purposes.

Determination of net amount of recoverable amount measure at fair value after deducting disposal expenses

Applicable Not applicable

Determination of present value of recoverable amount based on expected cash flows

Applicable Not applicable

15. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	33,186,248,169.56	33,527,978,754.73
Disposal of fixed assets		269,759,940.57
Total	33,186,248,169.56	33,797,738,695.30

XII Financial Report

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

15. Fixed assets (Continued)

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Vehicles	Electronic equipment and others	Total
I. Original carrying amount:					
1. Opening balance	10,286,809,124.89	43,106,182,009.60	288,801,665.32	400,465,471.75	54,082,258,271.56
2. Increase during the period	1,547,575,077.33	373,389,718.69	7,782,054.09	6,209,501.78	1,934,956,351.89
(1) Acquisition	30,905,046.40	249,956,542.06	6,181,518.12	5,780,797.31	292,823,903.89
(2) Transferred from construction in progress	20,992,423.25	118,922,052.86			139,914,476.11
(3) Debt restructuring	188,209,727.08	1,532,574.49			189,742,301.57
(4) Transferred to development costs	1,158,940,672.86				1,158,940,672.86
(5) Increase due to business combination	148,527,207.74	2,978,549.28	1,600,535.97	428,704.47	153,534,997.46
3. Decrease during the period	111,431,095.81	345,835,134.14	1,771,393.41	7,800,454.92	466,838,078.28
(1) Disposal or retirement	111,431,095.81	345,835,134.14	1,771,393.41	7,800,454.92	466,838,078.28
(2) Other decrease					
4. Closing balance	11,722,953,106.41	43,133,736,594.15	294,812,326.00	398,874,518.61	55,550,376,545.17
II. Accumulated depreciation					
1. Opening balance	2,329,752,339.57	17,561,160,193.98	200,474,107.77	258,849,412.20	20,350,236,053.52
2. Increase during the period	308,572,377.43	1,763,232,299.25	22,205,873.23	11,213,814.61	2,105,224,364.52
(1) Provision	264,930,957.46	1,762,561,992.57	21,496,925.01	11,008,850.97	2,059,998,726.01
(2) Increase due to business combination	43,641,419.97	670,306.68	708,948.22	204,963.64	45,225,638.51
3. Decrease during the period	14,059,134.79	273,890,699.14	674,877.67	6,750,794.14	295,375,505.74
(1) Disposal or retirement	14,059,134.79	273,890,699.14	674,877.67	6,750,794.14	295,375,505.74
(2) Other decrease					
4. Closing balance	2,624,265,582.21	19,050,501,794.09	222,005,103.33	263,312,432.67	22,160,084,912.30
III. Provision for impairment					
1. Opening balance	27,808,852.79	168,785,487.47	13,889.13	7,435,233.92	204,043,463.31
2. Increase during the period					
(1) Provision					
(2) Other increase					
3. Decrease during the period					
(1) Disposal or retirement					
(2) Other decrease					
4. Closing balance	27,808,852.79	168,785,487.47	13,889.13	7,435,233.92	204,043,463.31
IV. Carrying amount					
1. Closing carrying amount	9,070,878,671.41	23,914,449,312.59	72,793,333.54	128,126,852.02	33,186,248,169.56
2. Opening carrying amount	7,929,247,932.53	25,376,236,328.15	88,313,668.42	134,180,825.63	33,527,978,754.73

XII Financial Report

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

15. Fixed assets (Continued)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Housing and building structure	72,585,434.37	33,948,818.80	3,093,008.64	35,543,606.93	
Machinery and equipment	893,315,387.76	572,845,720.42	147,850,636.46	172,619,030.88	
Electronic equipment	478,399.18	430,559.49	7,187.27	40,652.42	
Total	966,379,221.31	607,225,098.71	150,950,832.37	208,203,290.23	

(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.)	980,913,613.30	Under application
Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.)	546,905,052.22	Under application
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	481,677,913.32	Under application
Housing and building structure (Jilin Chenming Paper Co., Ltd.)	363,470,359.61	Under application
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	194,225,965.02	Under application
Housing and building structure (Shandong Chenming Paper Holdings Limited)	110,999,633.48	Under application
Total	2,678,192,536.95	

(5) Impairment test on fixed assets

Applicable Not applicable

XII Financial Report

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

15. Fixed assets (Continued)

(6) Disposal of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Machinery equipment, electronic and other equipment in production workshop of Wuhan Chenming		3,457,743.88
Housing and office equipment of Wuhan Chenming management integrated office		168,170,645.13
Generator machinery equipment of Qianneng Electric Power factory area		59,225,154.99
Boiler room and other structures of Qianneng Electric Power factory area		38,801,269.05
Transportation and others of Qianneng Electric Power factory area		105,127.52
Total		269,759,940.57

16. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	852,139,418.48	551,020,785.44
Materials for project	7,478,546.68	7,846,094.92
Total	859,617,965.16	558,866,880.36

XII Financial Report

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

16. Construction in progress (Continued)

(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
Relocation of Wuhan 4800 papermaking machine project (Zhanjiang)	533,417,722.83		533,417,722.83	303,942,703.51		303,942,703.51
Technological transformation project	130,674,807.30	662,764.60	130,012,042.70	121,193,391.56		121,193,391.56
Integrated forestry, pulp and paper project (Huanggang Pulp & Paper)	156,604,031.76		156,604,031.76	45,538,442.78		45,538,442.78
300,000 tonnes softwood pulp project (Shandong Chenming)	8,941,631.08		8,941,631.08			
Others	44,302,661.87	21,138,671.76	23,163,990.11	101,484,919.35	21,138,671.76	80,346,247.59
Total	873,940,854.84	21,801,436.36	852,139,418.48	572,159,457.20	21,138,671.76	551,020,785.44

XII Financial Report

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

16. Construction in progress (Continued)

(2) Changes in material construction in progress projects for the period

Unit: RMB

Project name	Budget	Opening balance	Increase during the period	Transfer to fixed asset during the period	Other deductions during the period	Closing balance	Accumulated investment to budget	Construction progress	Accumulated capitalised interest	Of which: Capitalised interest amount during the period	Capitalisation rate of the interest amount for the period	Source of fund
Relocation of Wuhan 4800 papermaking machine project (Zhejiang)	800,000,000.00	303,942,703.51	229,475,019.32			533,417,722.83	66.68%	70.00%				Self-owned funds and borrowings
300,000 tonnes softwood pulp project (Shandong Chenming)	1,488,980,000.00		8,941,631.08			8,941,631.08	0.60%	0.60%				Self-owned funds and borrowings
Total	2,288,980,000.00	303,942,703.51	238,416,650.40			542,359,353.91	-	-				

(3) Impairment provision for construction in progress for the period

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for provision
Closed deodorisation project at wastewater treatment plant (Shandong Chenming)	5,061,399.69			5,061,399.69	
Automation upgrade for water treatment (Jilin Chenming)		662,764.60		662,764.60	
Differentiated viscose fibre and spinning and chemical project (Huanggang Pulp & Paper)	12,609,724.89			12,609,724.89	
Others	3,467,547.18			3,467,547.18	
Total	21,138,671.76	662,764.60		21,801,436.36	-

Explanation: Projects with impairment provision made are suspended projects that have not been put into operation for long-term.

XII Financial Report

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

16. Construction in progress (Continued)

(4) Impairment test on construction in progress

√ Applicable Not applicable

Determination of net amount of recoverable amount measured at fair value after deducting disposal expenses

√ Applicable Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment	Determination of fair value and disposal expenses	Key parameters	Basis of determination
						of key parameters
Automation upgrade for water treatment	662,764.60	0.00	662,764.60	As the project has been abandoned and no longer be used, the fair value is zero		
Total	662,764.60	0.00	662,764.60			

(5) Materials for project

Unit: RMB

Item	Closing balance		Carrying amount	Opening balance		Carrying amount
	Book balance	Impairment provision		Book balance	Impairment provision	
Special materials	7,478,546.68		7,478,546.68	7,846,094.92		7,846,094.92
Total	7,478,546.68		7,478,546.68	7,846,094.92		7,846,094.92

XII Financial Report

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

17. Bearer biological assets

(1) Bearer biological assets under the cost method

Applicable Not applicable

Unit: RMB

Item	Tea trees	Total
I. Original carrying amount		
1. Opening balance	13,697,336.80	13,697,336.80
2. Increase during the period	3,987,350.56	3,987,350.56
(1) Planting	3,987,350.56	3,987,350.56
3. Decrease during the period		
4. Closing balance	17,684,687.36	17,684,687.36
II. Accumulated depreciation		
III. Impairment provision		
IV. Carrying amount		
1. Closing carrying amount	17,684,687.36	17,684,687.36
2. Opening carrying amount	13,697,336.80	13,697,336.80

(2) Impairment test on bearer biological assets under the cost method

Applicable Not applicable

(3) Bearer biological assets measured at fair value

Applicable Not applicable

XII Financial Report

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

18. Right-of-use assets

(1) Particulars of right-of-use assets

Unit: RMB

Item	Land use rights	Housing and building structure	Total
I. Original carrying amount			
1. Opening balance	205,820,222.41	5,546,607.90	211,366,830.31
2. Increase during the period			
3. Decrease during the period	7,731,015.40	24,770.64	7,755,786.04
(1) Transfer or held for sale	7,483,309.00		7,483,309.00
(2) Other decreases	247,706.40	24,770.64	272,477.04
4. Closing balance	198,089,207.01	5,521,837.26	203,611,044.27
II. Accumulated depreciation			
1. Opening balance	28,702,609.31	1,049,521.75	29,752,131.06
2. Increase during the period	7,399,535.57	275,452.75	7,674,988.32
(1) Provision	7,399,535.57	275,452.75	7,674,988.32
3. Decrease during the period	1,631,386.61		1,631,386.61
(1) Transfer or held for sale	1,631,386.61		1,631,386.61
4. Closing balance	34,470,758.27	1,324,974.50	35,795,732.77
III. Impairment provision			
IV. Carrying amount			
1. Closing carrying amount	163,618,448.74	4,196,862.76	167,815,311.50
2. Opening carrying amount	177,117,613.10	4,497,086.15	181,614,699.25

Explanation: The reason for other decreases is that the original recognised amount of right-of-use assets was tax included, and as the invoices for leasing have been received, the input tax amount offset the original carrying amount of the right-of-use assets.

(2) Impairment test on right-of-use assets

Applicable Not applicable

XII Financial Report

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

19. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Software	Patents	Certificates of third party right	Total
I. Original carrying amount					
1. Opening balance	2,317,286,177.57	22,054,431.73	27,493,613.05	15,908,674.87	2,382,742,897.22
2. Increase during the period	242,900,438.53	1,278,301.89			244,178,740.42
(1) Acquisition	148,906,631.36	1,278,301.89			150,184,933.25
(2) Increase due to business combination	11,046,650.67				11,046,650.67
(3) Increase due to debt restructuring	82,947,156.50				82,947,156.50
3. Decrease during the period	35,028,784.28	23,584.91			35,052,369.19
(1) Disposal					
(2) Disposal of subsidiary	35,028,784.28	23,584.91			35,052,369.19
4. Closing balance	2,525,157,831.82	23,309,148.71	27,493,613.05	15,908,674.87	2,591,869,268.45
II. Accumulated amortisation					
1. Opening balance	512,384,814.26	22,054,431.73	1,056,145.44	15,908,674.87	551,404,066.30
2. Increase during the period	55,399,655.46	969,137.52	94,950.00		56,463,742.98
(1) Provision	52,839,764.79	969,137.52	94,950.00		53,903,852.31
(2) Increase due to business combination	2,559,890.67				2,559,890.67
3. Decrease during the period	18,335,847.77	23,584.91			18,359,432.68
(1) Disposal					
(2) Disposal of subsidiary	18,335,847.77	23,584.91			18,359,432.68
4. Closing balance	549,448,621.95	22,999,984.34	1,151,095.44	15,908,674.87	589,508,376.60
III. Impairment provision					
IV. Carrying amount					
1. Closing carrying amount	1,975,709,209.87	309,164.37	26,342,517.61		2,002,360,891.85
2. Opening carrying amount	1,804,901,363.31		26,437,467.61		1,831,338,830.92

Explanation: (1) For details of restricted ownership, please refer to note VII. 24.

(2) Impairment test on intangible assets

Applicable Not applicable

XII Financial Report

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

20. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period Arising from business combinations	Decrease during the period Disposal	Closing balance
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Kunshan Tuoan Plastic Products Co., Ltd.	26,946,905.38			26,946,905.38
Jiangxi Chenming Port Co., Ltd.		8,273,638.42		8,273,638.42
Total	41,261,065.98	8,273,638.42		49,534,704.40

(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: Goodwill for Kunshan Tuoan Plastic Products Co., Ltd. was arose from the acquisition of Kunshan Tuoan Plastic Products Co., Ltd. by the Company on 31 August 2020. With the category of the principal activities as the basis for determining the reporting segments, the Company regarded Kunshan Tuoan Plastic Products Co., Ltd. and Jiangxi Chenming Port Co., Ltd. as an asset group.

Goodwill for Jiangxi Chenming Port Co., Ltd. was arose from the acquisition of Jiangxi Chenming Port Co., Ltd. by the Company on 30 April 2023. With the category of the principal activities as the basis for determining the reporting segments, the Company regarded Jiangxi Chenming Port Co., Ltd. as an asset group.

The Company intends to dispose of Kunshan Tuoan Plastic Products Co., Ltd. According to the transfer consideration of RMB143.73 million determined in the valuation report as of 31 December 2023, the transfer consideration is higher than the book value of the corresponding asset group (including goodwill). The management is of the view that no impairment provision shall be made by the Company for such asset group. An equity transfer agreement was entered into in January 2024 for the transfer.

The Company conducted profit forecast on Jiangxi Chenming Port Co., Ltd. in general. 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 2024 to 2028, with weighted average asset cost of 6.23%. 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 Jiangxi Chenming Port Co., Ltd. exceeding its recoverable amount. Upon assessment, the management is of the view that no impairment provision shall be made by the Company for such asset group.

XII Financial Report

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

20. Goodwill (Continued)

(3) Relevant information on goodwill for asset group or combination of asset groups

Name	Composition and basis of asset group or combination of asset groups	Operating segment and basis	Whether it is consistent with prior year
Kunshan Tuoan Plastic Products Co., Ltd.	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.	Other segment, with the Company classified operating segments based on financial performance	Yes
Jiangxi Chenming Port Co., Ltd.	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.	Other segment, with the Company classified operating segments based on financial performance	N/A
Jilin Chenming Paper Co., Ltd.	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.	Machine-made paper segment, with the Company classified operating segments based on financial performance	Yes

(4) Specific determination of recoverable amount

Determination of net amount of recoverable amount measured at fair value after deducting disposal expenses

Applicable Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment	Determination of fair value and disposal expenses	Key parameter	Basis of determination of key parameter
Kunshan Tuoan Plastic Products Co., Ltd.	134,612,042.38	143,730,000.00		Contract price for the proposed disposal		
Total	134,612,042.38	143,730,000.00				

XII Financial Report

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

20. Goodwill (Continued)

(4) Specific determination of recoverable amount (Continued)

Determination of present value of recoverable amount based on expected cash flows

Applicable Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment	Term of forecast period	Key parameter for forecast period	Key parameter for stabilisation period	Basis of determination of key parameter for stabilisation period
Jiangxi Chenming Port Co., Ltd.	17,490,391.21	34,244,524.41		5	Interest rate ranged from 26.05%-26.26%	Revenue growth rate of 0%	Estimation
Total	17,490,391.21	34,244,524.41					

21. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase during the period	Amortisation during the period	Other deductions	Closing balance
Woodland expenses	7,233,827.75		1,281,727.98		5,952,099.77
Others	37,229,023.70	96,528.96	3,298,490.94		34,027,061.72
Total	44,462,851.45	96,528.96	4,580,218.92		39,979,161.49

XII Financial Report

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

22. 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	2,170,702,373.93	509,035,457.40	2,344,419,524.10	549,431,097.40
Unrealised profit arising from intra-group transactions	7,605,345.40	1,901,336.35	47,231,691.32	11,807,922.83
Outstanding payables	121,528,026.20	18,553,482.43	169,723,942.88	26,380,462.69
Deferred income	144,721,508.43	21,708,225.98	193,822,821.65	29,673,699.36
Deductible loss	7,008,265,437.96	1,138,659,379.33	4,578,592,243.20	716,030,918.97
Debt restructuring			30,831.05	7,707.76
Special reserves			15,791,710.95	2,368,756.59
Total	9,452,822,691.92	1,689,857,881.49	7,349,612,765.15	1,335,700,565.60

(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	37,960,636.20	9,490,159.05	19,104,051.04	4,776,012.76
Debt restructuring			13,621,006.12	3,405,251.53
Total	37,960,636.20	9,490,159.05	32,725,057.16	8,181,264.29

XII Financial Report

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

22. 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	53,265,395.05	10,365,962.12
Deductible loss	721,381,744.55	808,569,643.83
Total	774,647,139.60	818,935,605.95

(4) Expiry of deductible loss of unrecognised deferred income tax assets falls in the years as follows

Unit: RMB

Year	Closing balance	Opening balance	Remark
2023	—	189,187,446.57	
2024	158,265,081.51	178,453,991.84	
2025	226,672,646.51	251,671,920.26	
2026	61,481,717.71	119,959,990.04	
2027	77,967,748.73	69,296,295.12	
2028	196,994,550.09	—	
Total	721,381,744.55	808,569,643.83	

23. Other non-current assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Payments for engineering and equipment	1,055,195,141.00		1,055,195,141.00	981,293,657.32		981,293,657.32
Others	11,887,516.57		11,887,516.57	2,612,250.68		2,612,250.68
Total	1,067,082,657.57		1,067,082,657.57	983,905,908.00		983,905,908.00

XII Financial Report

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

24. Assets with restricted ownerships or right to use

Unit: RMB

Item	Book balance	Closing balance			Opening balance			Restriction
		Carrying amount	Type of restriction	Restriction	Book balance	Carrying amount	Type of restriction	
Monetary funds	11,360,599,088.69	11,360,599,088.69	Pledged	As deposits for bank acceptance bills and letters of credit, deposits for letter of guarantee, security deposits for loans, deposit reserves, interest receivable, etc. (Note VII. 1)	11,840,974,836.57	11,840,974,836.57	Pledged	As deposits for bank acceptance bills and letters of credit, deposits for letter of guarantee, security deposits for loans, deposit reserves, interest receivable, etc. (Note VII. 1)
Fixed assets	9,411,111,670.62	6,303,095,864.20	Pledged	As collateral for bank borrowings and long-term payables (Note VII. 15)	15,651,057,538.84	10,063,641,052.69	Pledged	As collateral for bank borrowings and long-term payables (Note VII. 14)
Investment property	5,941,741,699.60	5,004,776,921.76	Pledged	As collateral for bank borrowings (Note VII. 14)	5,650,386,492.30	4,895,514,630.65	Pledged	As collateral for bank borrowings (Note VII. 13)
Intangible assets	865,105,844.99	665,784,045.39	Pledged	As collateral for bank borrowings and long-term payables (Note VII. 19)	1,367,006,629.88	1,033,897,418.27	Pledged	As collateral for bank borrowings and long-term payables (Note VII. 18)
Accounts receivable	403,349,324.55	398,710,807.32	Pledged	As collateral for borrowings (Note VII. 4)	100,563,153.66	100,000,000.00	Pledged	As collateral for borrowings (Note VII. 3)
Accounts receivable financing	90,551,168.01	90,551,168.01	Pledged	As collateral for letters of credit (Note VII. 5)	8,497,931.30	8,497,931.30	Pledged	As collateral for letters of credit (Note VII. 4)
Total	28,072,458,796.46	23,823,517,895.37			34,618,486,582.55	27,942,525,869.48		

Other explanation:

As at 31 December 2023, housing, building structure and equipment with the carrying amount of RMB6,303,095,864.20 (31 December 2022: carrying amount of RMB10,063,641,052.69), investment properties with the carrying amount of RMB5,004,776,921.76 (31 December 2022: carrying amount of RMB4,895,514,630.65) and intangible assets with the carrying amount of RMB665,784,045.39 (31 December 2022: carrying amount of RMB1,033,897,418.27) were pledged as collateral for long-term borrowings of RMB4,262,800,469.08 (31 December 2022: RMB3,118,508,092.17) and short-term borrowings of RMB85,000,000.00 (31 December 2022: RMB65,000,000.00).

XII Financial Report

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

25. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Discounted borrowings	12,270,872,000.00	16,207,640,000.00
Credit borrowings	9,908,287,425.27	9,613,884,197.48
Guaranteed borrowings	9,785,629,371.41	9,757,184,167.65
Pledged borrowings	1,425,690,224.94	741,339,929.89
Mortgage borrowings	85,000,000.00	65,000,000.00
Total	33,475,479,021.62	36,385,048,295.02

Explanation of the classification of short-term borrowings:

- ① For classification and amount of mortgage borrowings and mortgage assets, please see 1. Monetary funds and 24. Assets with restricted ownerships or right to use in Note VII.
- ② For classification and amount of pledged borrowings and mortgage assets, please see 1. Monetary funds and 24. Assets with restricted ownerships or right to use in Note VII.
- ③ Overdue outstanding short-term borrowings: total outstanding short-term borrowings overdue as at the end of the year amounted to RMB0.00.
- ④ Short-term borrowings included accrued interest of RMB27,736,656.82.

26. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Commercial acceptance bills	3,604,737,193.92	1,206,234,201.21
Bank acceptance bills	1,014,249,270.03	1,922,361,633.83
Total	4,618,986,463.95	3,128,595,835.04

Total overdue bills payable by counterparties as at the end of the period amounted to RMB205,710.00.

XII Financial Report

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

27. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	3,329,807,929.61	3,619,549,023.04
Payment for engineering	222,541,200.98	146,144,102.25
Payment for equipment	107,663,951.56	100,493,461.51
Others	242,607,788.05	248,780,180.96
Total	3,902,620,870.20	4,114,966,767.76

(2) Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	3,361,203,746.72	3,746,315,716.20
1 to 2 years	267,905,274.76	98,287,651.12
2 to 3 years	30,677,976.15	52,080,919.33
Over 3 years	242,833,872.57	218,282,481.11
Total	3,902,620,870.20	4,114,966,767.76

The basis used by the ageing analysis of the accounts payable of the Company: the ageing of accounts payable is the length of time of the Company's outstanding accounts payable based on invoice date. The closing balance is recognised one by one from the end of the period onwards until the amounts add up to the balance. It is also broken up by intervals of within 1 year, 1-2 years, 2-3 years and over 3 years.

XII Financial Report

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

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	2,414,752,127.19	1,854,507,978.66
Interest payable		15,895,930.51
Total	2,414,752,127.19	1,870,403,909.17

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest of corporate bonds		15,895,930.51
Total		15,895,930.51

(2) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	1,090,141,993.83	490,279,690.52
Deposit	785,572,067.82	788,792,126.26
Accrued expenses	381,781,932.14	355,492,234.45
The obligation to repurchase shares under the share incentive scheme	63,764,745.74	129,112,395.74
Others	93,491,387.66	90,831,531.69
Total	2,414,752,127.19	1,854,507,978.66

2) Significant other payables aged over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not transfer
MCC Fujian Investment Construction Co., Ltd.	570,000,000.00	Project deposits

XII Financial Report

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

29. Receipts in advance

(1) Particulars of receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Prepaid rents and property fees	16,242,921.65	14,261,436.67
Total	16,242,921.65	14,261,436.67

30. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods in advance	1,443,680,155.62	1,306,029,389.80
Total	1,443,680,155.62	1,306,029,389.80

31. 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	99,353,543.41	1,082,596,707.91	1,108,043,017.50	73,907,233.82
II. Retirement benefit plan-defined contribution scheme	45,572,343.59	203,505,721.08	248,648,140.05	429,924.62
III. Termination benefits		152,351.89	152,351.89	
Total	144,925,887.00	1,286,254,780.88	1,356,843,509.44	74,337,158.44

XII Financial Report

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

31. 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	84,374,864.77	823,172,363.65	853,121,590.71	54,425,637.71
2. Staff welfare		58,944,163.88	58,944,163.88	
3. Social insurance premium	4,072,690.50	98,996,593.54	101,670,060.72	1,399,223.32
Of which: Medical insurance premium	669,598.55	89,789,715.14	89,964,841.01	494,472.68
Work-related injury insurance premium	2,514,203.46	7,549,514.50	10,048,082.22	15,635.74
Maternity insurance premium	888,888.49	1,657,363.90	1,657,137.49	889,114.90
4. Housing provident funds	7,500,937.80	77,494,674.79	78,063,498.29	6,932,114.30
5. Union funds and workers' education	463,017.47	19,910,718.33	12,559,977.02	7,813,758.78
6. Other short-term remuneration	2,942,032.87	4,078,193.72	3,683,726.88	3,336,499.71
Total	99,353,543.41	1,082,596,707.91	1,108,043,017.50	73,907,233.82

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance premiums	43,615,129.42	195,522,255.19	238,722,102.34	415,282.27
2. Unemployment insurance premiums	1,957,214.17	7,983,465.89	9,926,037.71	14,642.35
Total	45,572,343.59	203,505,721.08	248,648,140.05	429,924.62

XII Financial Report

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

32. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	40,076,417.59	128,305,607.36
Property tax	15,486,094.67	34,531,806.76
Land use tax	11,149,858.80	10,659,878.19
Stamp duty	10,875,401.17	12,987,679.08
Enterprise income tax	6,720,397.49	51,538,384.55
Environmental protection tax	3,698,248.00	3,674,817.23
Resource tax	3,000,000.00	3,500,000.00
Urban maintenance and construction tax	2,396,420.76	5,069,014.46
Individual income tax	2,184,712.31	4,765,040.27
Educational surcharges and others	2,062,463.52	3,955,412.99
Land appreciation tax	2,059,693.25	2,024,028.20
Total	99,709,707.56	261,011,669.09

33. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables due within one year	2,354,342,454.51	2,398,150,298.72
Long-term borrowings due within one year	1,273,902,656.06	1,920,748,225.56
Lease liabilities due within one year	3,692,567.25	4,606,717.58
Bonds payable due within one year		350,000,000.00
Total	3,631,937,677.82	4,673,505,241.86

XII Financial Report

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

34. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term financial leasing borrowings	100,000,000.00	
Total	100,000,000.00	

35. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Mortgage borrowings	4,262,800,469.08	3,118,508,092.17
Guaranteed borrowings	857,571,273.74	1,378,621,266.53
Credit borrowings	834,545,402.88	1,405,855,117.94
Less: Long-term borrowings due within one year	1,273,902,656.06	1,920,748,225.56
Total	4,681,014,489.64	3,982,236,251.08

Explanation of the types of long-term borrowings:

- ① For classification and amount of mortgage assets of mortgage borrowings, please see 1. Monetary funds and 24. Assets with restricted ownerships or right to use in Note VII.
- ② Long-term borrowings included accrued interest of RMB0.00.

XII Financial Report

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

36. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease payments payable	64,264,374.68	76,929,509.38
Less: Unrecognised financing expenses	18,584,784.58	18,726,744.34
Less: Lease liabilities due within one year	3,692,567.25	4,606,717.58
Total	41,987,022.85	53,596,047.46

37. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	2,541,095,217.66	3,160,771,126.31
Total	2,541,095,217.66	3,160,771,126.31

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Financial leasing borrowings	4,345,793,513.95	4,928,891,190.81
China Development Bank Special Fund	343,750,000.00	412,500,000.00
Contributions by other partners	199,894,158.22	211,530,234.22
Retention for the financial leasing operations	6,000,000.00	6,000,000.00
Less: Long-term payables due within one year	2,354,342,454.51	2,398,150,298.72
Total	2,541,095,217.66	3,160,771,126.31

Other explanation:

Contributions by other partners refer to the contributions made by other partners to Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) and Weifang Chendu Equity Investment Partnership (Limited Partnership), and such contributions are reclassified as financial liabilities on a consolidation basis.

XII Financial Report

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

38. Deferred income

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	1,469,230,468.46	1,730,000.00	133,096,353.76	1,337,864,114.70	Financial provision
Total	1,469,230,468.46	1,730,000.00	133,096,353.76	1,337,864,114.70	—

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
Funding for environmental protection	576,455,283.80			51,761,248.56			524,694,035.24	Asset-related
Huanggang forestry-pulp-paper project	470,994,523.05			25,026,217.80			445,968,305.25	Asset-related
Infrastructure and environmental protection engineering	208,320,966.69			11,517,589.44			196,803,377.25	Asset-related
Financial subsidies for technological transformation project	132,614,525.64	1,730,000.00		39,238,509.96			95,106,015.68	Asset-related
Zhanjiang forestry-pulp-paper project	46,711,964.27			4,094,632.92			42,617,331.35	Asset-related
Project fund for National Key Technology Research and Development Program	958,425.00			164,700.00			793,725.00	Asset-related
Others	33,174,780.01			1,293,455.08			31,881,324.93	Asset-related
Total	1,469,230,468.46	1,730,000.00		133,096,353.76			1,337,864,114.70	

XII Financial Report

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

39. Share capital

Unit: RMB

	Opening balance	Repurchase of restricted shares	Increase/decrease during the year (+/-)			Subtotal	Closing balance
			Bonus issue	Shares converted from reserves	Others		
Total number of shares	2,979,742,200.00	-22,929,000.00				-22,929,000.00	2,956,813,200.00

Explanation: On 17 July 2023, the Company convened the ninth extraordinary meeting of the tenth session of the Board and the fifth extraordinary meeting of the tenth session of the Supervisory Committee, at which the Resolution on the Failure Fulfilment of the Unlocking Conditions for the Second Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares was considered and approved. Grant Thornton (Special General Partnership) issued a Capital Verification Report (Zhi Tong Yan Zi (2023) No. 371C000518) for the repurchase of restricted shares during the period. Upon the completion of share repurchase, the total number of shares of the Company changed from 2,979,742,200 to 2,956,813,200.

40. Other equity instruments

(1) Changes in preference shares, Perpetual Bonds and other financial instruments outstanding at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Increase during the period		Decrease during the period		End of the period	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
17 Lu Chenming MTN001	10,000,000.00	996,000,000.00			10,000,000.00	996,000,000.00		
Total	10,000,000.00	996,000,000.00			10,000,000.00	996,000,000.00		

Explanation: Repayment for Perpetual Bonds, which are accounted for as equity instruments, was made during the year.

XII Financial Report

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
Share premium	4,604,712,413.16	48,955,941.22	53,898,041.98	4,599,770,312.40
Other capital reserves	756,488,109.13		27,467,521.92	729,020,587.21
Total	5,361,200,522.29	48,955,941.22	81,365,563.90	5,328,790,899.61

Explanation:

- ① Perpetual bonds, being the equity instruments, were repaid during the year, resulting in a decrease in capital reserves of RMB4,000,000.00;
- ② Strategic investors made capital injection to Zhanjiang Chenming Pulp & Paper Co., Ltd., resulting in decrease in shareholding of the Company but without loss in control, and an increase in capital reserves of RMB48,955,941.22;
- ③ The shareholding of Guangdong Nanyue Bank Co., Ltd., an associate of the Company, in the Company was diluted as other shareholders had made investment, resulting in decrease in capital reserves of RMB6,840,774.34;
- ④ Due to the failure to fulfil the unlocking conditions for restricted shares in prior years, the Company had made repurchase during the year, resulting in a corresponding decrease in capital reserves of RMB42,418,650.00;
- ⑤ As the management estimated that the remaining restricted shares will not be able to fulfil the unlocking conditions, the capital reserves recognised in prior period were reversed, resulting in a decrease in capital reserves of RMB27,467,521.92;
- ⑥ The Company acquired partial equity interest in Shouguang Meilun Paper Co., Ltd., a subsidiary, from minority shareholders, resulting in a decrease in capital reserves of RMB638,617.64.

42. Treasury shares

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share incentive	128,780,100.00		65,347,650.00	63,432,450.00
Total	128,780,100.00		65,347,650.00	63,432,450.00

Explanation: Due to failure in fulfilling the unlocking conditions, the Company repurchased certain restricted shares, with a reduction of RMB65,347,650.00 in treasury shares.

XII Financial Report

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

43. Other comprehensive income

Other comprehensive income attributable to the Company in the balance sheet is as follows:

Unit: RMB

Item	Opening balance	During the period		Closing balance
		Attributable to the parent company after tax	Less: Transferred from other comprehensive income in prior periods to retained earnings during the period	
I. Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods				
II. Other comprehensive income that will be reclassified to profit and loss in subsequent periods				
1. Other comprehensive income that may be reclassified to profit and loss under the equity method	-9,916,102.69	-1,224,007.02		-11,140,109.71
2. Translation differences of financial statements denominated in foreign currency	-812,024,591.88	-41,716,787.49		-853,741,379.37
Total other comprehensive income	-821,940,694.57	-42,940,794.51		-864,881,489.08

XII Financial Report

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

43. Other comprehensive income (Continued)

Other comprehensive income attributable to the parent company in the income statement:

Unit: RMB

Item	Incurred before income tax for the period	During the period		Less: Attributable to minority shareholders after tax	Attributable to parent company after tax
		Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Less: Income tax expenses		
I. Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods					
II. Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-42,940,794.51				-42,940,794.51
1. Other comprehensive income that may be reclassified to profit and loss under the equity method	-1,224,007.02				-1,224,007.02
2. Translation differences of financial statements denominated in foreign currency	-41,716,787.49				-41,716,787.49
Total other comprehensive income	-42,940,794.51				-42,940,794.51

44. Special reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Production safety expenses	15,791,710.95	31,146,275.32	23,615,156.70	23,322,829.57
Total	15,791,710.95	31,146,275.32	23,615,156.70	23,322,829.57

45. 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

XII Financial Report

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

46. General risk provisions

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
General risk provisions	79,900,268.71		529,973.80	79,370,294.91
Total	79,900,268.71		529,973.80	79,370,294.91

Explanation: The general risk provisions are accrued by the Company's subsidiaries Shandong Chenming Group Finance Co., Ltd. and Shandong Chenming Commercial Factoring Co., Ltd. based on 1% of the receivables. Accordingly, the balance of the general risk provisions was adjusted based on the balance of the receivables.

47. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	9,390,642,477.57	9,294,126,706.86
Adjustment to opening balance of retained earnings (increase +, decrease -)		
Opening balance of retained profit after adjustment	9,390,642,477.57	9,294,126,706.86
Plus: Net profit for the period attributable to shareholders of the parent company	-1,281,289,649.82	189,290,120.82
Less: Transfer of general risk provisions	-529,973.80	3,074,350.11
Perpetual Bonds interest payable	89,700,000.00	89,700,000.00
Retained profit as at the end of the period	8,020,182,801.55	9,390,642,477.57

XII Financial Report

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

48. Revenue and operating costs

Unit: RMB

Item	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Principal activities	26,368,633,225.48	24,241,469,338.15	31,425,116,857.83	26,878,943,649.28
Other activities	239,937,002.72	204,016,961.78	579,250,463.08	494,782,057.72
Total	26,608,570,228.20	24,445,486,299.93	32,004,367,320.91	27,373,725,707.00

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

Yes No

Unit: RMB

Item	Current year	Specific deductions	Prior year	Specific deductions
Revenue	26,608,570,228.20		32,004,367,320.91	
Total deductions from revenue	986,216,965.96	Revenue from sales of materials of RMB900,376,053.88 and other revenue of RMB85,840,912.08.	1,030,770,460.26	Revenue from sales of materials of RMB903,160,256.93 and other revenue of RMB127,610,203.33.
Proportion of total deductions from revenue to revenue	3.71%		3.22%	
I. Revenue from operations not related to principal operations				
1. Revenue from operations other than normal operation, such as revenue realised from leasing fixed assets, intangible assets, packaging materials, sales of materials, exchanges for non-monetary assets with materials, engaging in entrusted management business, and revenue included in revenue from principal operations but generated from operations other than normal operation of the Company.	986,216,965.96	Revenue from sales of materials of RMB900,376,053.88 and other revenue of RMB85,840,912.08.	1,030,770,460.26	Revenue from sales of materials of RMB903,160,256.93 and other revenue of RMB127,610,203.33.
Subtotal of revenue from operations not related to principal operations	986,216,965.96	Revenue from sales of materials of RMB900,376,053.88 and other revenue of RMB85,840,912.08.	1,030,770,460.26	Revenue from sales of materials of RMB903,160,256.93 and other revenue of RMB127,610,203.33.
Revenue after deductions	25,622,353,262.24	Revenue from sales of materials of RMB900,376,053.88 and other revenue of RMB85,840,912.08.	30,973,596,860.65	Revenue from sales of materials of RMB903,160,256.93 and other revenue of RMB127,610,203.33.

XII Financial Report

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

48. Revenue and operating costs (Continued)

Breakdown of revenue and operating costs:

Unit: RMB

Category of contract	Machine-made paper		Financial services		Hotel and property rentals		Others		Total	
	Revenue	Operating costs	Revenue	Operating costs	Revenue	Operating costs	Revenue	Operating costs	Revenue	Operating costs
Type of business	25,702,327,302.60	23,725,017,263.15	164,338,689.66	1,346,144.03	219,640,822.73	225,430,819.61	522,263,413.21	493,692,073.14	26,608,570,228.20	24,445,486,299.93
Including:										
Machine-made paper	23,892,883,773.10	22,038,839,089.61							23,892,883,773.10	22,038,839,089.61
Chemical pulp	551,886,319.48	549,401,517.97							551,886,319.48	549,401,517.97
Processing of moulds							204,029,538.47	198,297,579.81	204,029,538.47	198,297,579.81
Electricity and steam	223,450,300.54	212,089,570.22							223,450,300.54	212,089,570.22
Construction materials							222,788,884.78	216,481,504.04	222,788,884.78	216,481,504.04
Hotel and property rentals					212,364,573.64	202,364,469.60			212,364,573.64	202,364,469.60
Paper chemicals	128,495,469.03	118,581,502.40							128,495,469.03	118,581,502.40
Others	905,611,440.45	806,105,582.95	164,338,689.66	1,346,144.03	7,276,249.09	23,066,350.01	95,444,989.96	78,912,989.29	1,172,671,369.16	909,431,066.28
By geographical area	25,702,327,302.60	23,725,017,263.15	164,338,689.66	1,346,144.03	219,640,822.73	225,430,819.61	522,263,413.21	493,692,073.14	26,608,570,228.20	24,445,486,299.93
Including:										
Mainland China	19,176,105,106.76	17,602,028,904.63	164,338,689.66	1,346,144.03	219,640,822.73	225,430,819.61	522,263,413.21	493,692,073.14	20,082,348,032.36	18,322,497,941.41
Other countries and regions	6,526,222,195.84	6,122,988,358.52							6,526,222,195.84	6,122,988,358.52
By the timing of delivery	25,702,327,302.60	23,725,017,263.15	164,338,689.66	1,346,144.03	219,640,822.73	225,430,819.61	522,263,413.21	493,692,073.14	26,608,570,228.20	24,445,486,299.93
Including:										
Goods (at a point in time)	25,473,285,738.85	23,511,944,280.45			19,828,475.28	8,894,628.69	522,040,076.01	493,692,073.14	26,015,154,290.14	24,014,530,982.28
Services (within a certain period)	229,041,563.75	213,072,982.70	164,338,689.66	1,346,144.03	199,812,347.45	216,536,190.92	223,337.20		593,415,938.06	430,955,317.65
By sales channel	25,702,327,302.60	23,725,017,263.15	164,338,689.66	1,346,144.03	219,640,822.73	225,430,819.61	522,263,413.21	493,692,073.14	26,608,570,228.20	24,445,486,299.93
Including:										
Distribution	18,126,061,624.64	16,782,843,186.05							18,126,061,624.64	16,782,843,186.05
Direct sales	7,576,265,677.96	6,942,174,077.10	164,338,689.66	1,346,144.03	219,640,822.73	225,430,819.61	522,263,413.21	493,692,073.14	8,482,508,603.56	7,662,643,113.88

XII Financial Report

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

48. Revenue and operating costs (Continued)

Breakdown of revenue from principal activities

① By industry

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Machine-made paper	23,892,883,773.10	22,038,839,089.61	28,398,850,766.51	24,448,024,979.32
Chemical pulp	551,886,319.48	549,401,517.97	1,043,284,411.27	816,562,733.50
Electricity and steam	223,450,300.54	212,089,570.22	288,447,315.51	270,073,907.31
Construction materials	222,788,884.78	216,481,504.04	265,496,913.56	228,492,849.08
Hotel and property rentals	212,364,573.64	202,364,469.60	238,020,274.82	213,632,078.62
Processing of moulds	204,029,538.47	198,297,579.81	308,596,084.40	277,645,763.64
Paper chemicals	128,495,469.03	118,581,502.40	169,232,476.00	146,042,699.79
Others	932,734,366.44	705,414,104.50	713,188,615.76	478,468,638.02
Total	26,368,633,225.48	24,241,469,338.15	31,425,116,857.83	26,878,943,649.28

② Machine-made paper, by main product type

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Duplex press paper	7,702,426,452.75	6,929,011,543.24	8,449,759,248.92	7,407,821,676.66
White paper board	5,477,558,929.56	5,673,086,405.12	9,061,724,789.41	7,826,962,810.39
Electrostatic paper	4,005,559,008.36	3,410,527,141.51	4,077,351,284.38	3,497,341,216.24
Coated paper	3,925,663,395.23	3,389,639,629.49	4,149,820,827.47	3,457,680,224.04
Anti-sticking raw paper	1,127,626,969.18	947,141,370.39	973,542,096.46	791,528,667.30
Thermal paper	553,666,757.69	484,068,025.05	582,687,847.45	489,261,009.24
Others	1,100,382,260.33	1,032,967,683.96	1,103,964,672.42	977,429,375.45
Production interruption loss		172,397,290.85		
Total	23,892,883,773.10	22,038,839,089.61	28,398,850,766.51	24,448,024,979.32

XII Financial Report

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

48. Revenue and operating costs (Continued)

③ Machine-made paper, by geographical segment

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Mainland China	17,366,661,577.26	15,915,850,731.09	20,254,734,795.51	17,354,744,592.14
Other countries and regions	6,526,222,195.84	6,122,988,358.52	8,144,115,971.00	7,093,280,387.18
Total	23,892,883,773.10	22,038,839,089.61	28,398,850,766.51	24,448,024,979.32

④ Revenue from top 5 customers

Period	Total revenue from top 5 customers	Percentage of the total revenue in the same period (%)
2023	5,966,203,769.14	22.42%
2022	6,798,742,733.13	21.24%

Information related to performance obligations:

Item	Time for fulfilment of performance obligations	Significant terms of payment	Nature of goods that the Company undertakes to transfer	Whether the person is the primary person in charge	Company's commitments expected to be refunded to customers	Types of quality assurance offered by the Company and related obligations
Machine-made paper	Domestic sales on the day of delivery to the customer; foreign sales on the day of customs clearance	Domestic sales tend to be provided on an invoice basis; foreign sales tend to be prepaid.	Produces easily distinguishable	Yes	None	Guaranteed quality assurance, should there be objections to product quality within 7 days of arrival, the products can be returned and exchanged.

Other explanations: The Company's performance obligations for sales of machine-made paper are generally less than one year, and the Company takes advance payments or provides credit terms depending on the customer. When the Company is the primary responsible party for a sale, it generally obtains the unconditional right to receive payment when control of the merchandise is transferred to the customer either at the time of shipment or upon delivery to the destination specified by the customer.

Information related to the transaction price allocated to residual performance obligations:

As at the end of the reporting period, the amount of revenue with signed contracts but unfulfilled or uncompleted performance obligation was RMB1,443,680,155.62, in which RMB1,443,680,155.62 was expected to be recognised in 2024.

XII Financial Report

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

49. Taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Property tax	88,246,740.83	84,937,624.08
Stamp duty	42,431,971.88	50,855,100.84
Land use tax	34,743,967.04	21,896,525.68
Urban maintenance and construction tax	18,839,445.01	30,844,441.65
Resource tax	13,725,384.40	12,151,246.70
Environmental tax	13,009,450.64	13,153,239.01
Educational surcharges	8,522,314.82	13,065,472.17
Local education surcharges	5,859,476.27	9,672,799.88
Water conservation funds	848,092.68	941,851.21
Others	1,575,521.55	5,621,013.84
Total	227,802,365.12	243,139,315.06

50. General and administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	229,206,077.91	230,961,622.37
Business hospitality expenses	94,404,109.34	90,219,924.17
Depreciation expenses	91,759,528.87	92,141,979.66
Welfare expenses	58,663,557.66	60,931,519.54
Amortisation of intangible assets and long-term expenses	48,832,351.39	50,808,836.96
Repair cost and consumption of materials	23,468,894.14	24,983,894.65
Intermediary service expenses	21,621,384.60	27,065,168.09
Legal costs	20,252,237.24	24,306,211.03
Insurance premium	16,758,186.64	17,343,722.19
Travel expenses	15,150,365.49	10,066,215.41
Office expenses	3,871,812.80	6,827,412.53
Termination benefits expenses	2,091,062.84	26,059,173.11
Others	64,240,213.09	88,831,023.63
Total	690,319,782.01	750,546,703.34

XII Financial Report

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

51. Sales and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	109,381,728.48	120,855,156.29
Business hospitality expenses	51,126,929.37	55,312,453.05
Travel expenses	28,631,831.59	21,514,621.65
Rental expenses	7,343,527.12	6,048,188.50
Selling commissions	6,940,887.40	11,571,414.61
Depreciation expenses	4,677,235.58	6,524,594.65
Office expenses	4,241,864.88	2,465,867.66
Warehouse expenses	411,253.96	669,554.18
Others	18,244,379.05	17,219,423.50
Total	230,999,637.43	242,181,274.09

52. Research and development expense

Unit: RMB

Item	Amount for the period	Amount for the prior period
Consumption of materials	781,407,604.78	872,932,892.44
Utilities	155,276,067.70	181,428,197.66
Wages and surcharges	129,508,833.28	146,671,151.98
Depreciation expenses	56,914,306.41	45,016,402.19
Insurance premium	26,981,737.42	28,028,216.33
Housing provident funds	4,435,343.17	4,848,051.84
Welfare expenses	3,362,929.39	4,448,785.76
Union funds	1,323,605.61	1,159,873.86
Other expenses	5,209,270.37	5,747,968.04
Total	1,164,419,698.13	1,290,281,540.10

XII Financial Report

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

53. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	1,908,394,881.89	2,081,067,895.66
Less: Capitalised interest amount		
Interest income	201,101,017.34	309,987,478.19
Foreign exchange gains and losses	-25,018,964.43	46,654,427.89
Less: Capitalisation of foreign exchange gains and losses		
Bank charges and others	327,391,808.02	328,821,303.70
Total	2,009,666,708.14	2,146,556,149.06

54. Other income

Unit: RMB

Source of other income	Amount for the period	Amount for the prior period
Additional deduction of VAT	154,495,020.82	25,116.70
Government grants – amortised deferred income included in profit or loss	133,096,353.76	104,451,215.79
Government grants – directly included in profit or loss	36,809,925.69	136,241,934.69
Gain on debt restructuring	10,400,321.83	1,030,353.24
Refund of handling fees for withholding and payment of individual income tax	2,522,709.33	474,548.44
Total	337,324,331.43	242,223,168.86

55. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Gain on change in fair value of consumable biological assets measured at fair value	6,775,808.38	9,924,233.72
Other non-current financial assets	-3,590,983.62	5,350,000.00
Financial assets held for trading	-28,740,129.26	-40,528,162.53
Total	-25,555,304.50	-25,253,928.81

XII Financial Report

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

56. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Investment gain on disposal of long-term equity investments	391,450,223.81	-856,627.60
Income from long-term equity investments accounted for using the equity method	128,934,922.00	24,116,757.95
Investment gain on debt restructuring	44,897,024.23	-62,888.33
Dividend on financial assets held for trading and other noncurrent financial assets	39,529,607.69	38,224,826.21
Investment gain on derecognition of financial assets	-99,744,741.95	-137,464,855.58
Total	505,067,035.78	-76,042,787.35

57. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of other receivables	-47,363,307.69	54,677,374.62
Bad debt loss of accounts receivable	-96,453,353.50	-38,857,265.91
Bad debt loss of financial lease payments	-176,139,588.20	-101,897,077.27
Total	-319,956,249.39	-86,076,968.56

58. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
Impairment losses on construction in progress	-662,764.60	
Loss on inventory impairment	-44,344,534.62	-17,659,966.20
Total	-45,007,299.22	-17,659,966.20

XII Financial Report

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

59. 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)	11,090,813.00	54,255,232.29
Sublease (“-” denotes loss)	3,780,766.85	
Gain on disposal of intangible assets (“-” denotes loss)	-264,150.94	106,837,281.47
Total	14,607,428.91	161,092,513.76

60. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Included in non-recurring profit or loss in the period
Fine income	1,965,328.23	2,334,679.24	1,965,328.23
Gain on damage and retirement of non-current assets	450,007.54	82,413.79	450,007.54
Exempted debts	222,676.32	94,894.96	222,676.32
Government grants	72,000.00	73,741,500.00	72,000.00
Others	288,757.32	995,197.77	288,757.32
Total	2,998,769.41	77,248,685.76	2,998,769.41

(1) For details of government grant, please see Note XI. Government grants.

(2) For the specific reason for government grants as recurring profit or loss, please refer to Note XX.

XII Financial Report

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

61. 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
Utilisation, cancellation and trading of carbon emission quota	13,613,560.97	23,662,741.81	13,613,560.97
Loss on damage and retirement of non-current assets	4,940,010.70	10,382,099.66	4,940,010.70
Donation	505,280.00	805,000.00	505,280.00
Litigation		16,348,160.25	
Total	19,058,851.67	51,198,001.72	19,058,851.67

62. 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	26,624,910.52	90,855,030.56
Deferred income tax expenses	-409,686,894.47	-225,948,373.97
Total	-383,061,983.95	-135,093,343.41

XII Financial Report

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

62. Income tax expenses (Continued)

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

Unit: RMB

Item	Amount for the period
Total profit	-1,709,704,401.81
Income tax expenses calculated at statutory (or applicable) tax rates	-256,455,660.27
Effect of different tax rates applicable to certain subsidiaries	-11,581,202.24
Adjustments to income tax for prior periods	-18,527,039.58
Profit and loss of joint ventures and associates accounted for using the equity method	-16,009,557.52
Income not subject to tax (listed with “-”)	-9,106,680.52
Non-deductible costs, expenses and losses	20,316,855.92
The impact of tax rate changes on the opening deferred income tax balance	4,499,969.53
Tax effect of utilisation of unrecognised deductible losses and deductible temporary differences in the previous year (listed with “-”)	-36,012,580.06
Tax effect of utilisation of unrecognised deductible losses and deductible temporary differences	74,768,856.53
Tax effect of R&D fee deduction (listed with “-”)	-116,004,399.19
The pre-tax deduction of the interest on Perpetual Bonds accounted as equity	-13,455,000.00
Tax incentives such as equipment credits	-5,715,006.49
Deferred income taxes that have not been recognised as deductible losses and deductible temporary differences in previous years are reversed in the current period.	219,459.94
Income tax expense	-383,061,983.95

Explanation: The amount listed in “the impact of tax rate changes on the opening deferred income tax balance” for the period is the difference caused by the different applicable tax rates of Wuhan Chenming Hanyang Paper Holdings Co., Ltd. (disposed of during the period) from a high-tech enterprise to a non-high-tech enterprise.

63. Items on statements of cash flow

(1) Cash relating to operating activities

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	615,990,074.21	184,749,056.18
Finance expenses – Interest income	192,639,004.29	305,772,280.83
Open credit and other income	185,197,937.53	745,295,349.96
Government grants related to revenue	36,369,756.40	202,165,244.17
Default penalty and fine	988,348.52	969,634.65
Total	1,031,185,120.95	1,438,951,565.79

XII Financial Report

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

63. Items on statements of cash flow (Continued)

(1) Cash relating to operating activities (Continued)

Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Transportation expenses	827,892,596.27	944,022,266.88
Financial institutions charge	231,394,529.58	241,125,513.70
Business hospitality expenses	126,982,128.56	117,853,387.22
Travel expenses	44,024,694.22	32,480,740.17
Intermediary service expenses	42,941,628.90	54,437,645.94
Repair expenses	23,853,382.84	23,053,205.98
Cargo handling charges	16,197,187.56	21,869,006.27
Insurance premium	16,063,115.65	15,288,347.78
Waste disposal expenses	15,654,882.06	15,891,052.20
Leasing expenses	13,911,319.46	12,038,349.86
Office expenses	8,375,443.12	10,681,717.81
Litigation		368,296,784.84
Net investment in factoring business		250,000,000.00
Others	190,183,959.20	186,617,859.65
Total	1,557,474,867.42	2,293,655,878.30

(2) Cash relating to investing activities

Significant cash received relating to investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Demolition or relocation compensation received	138,000,000.00	163,509,091.00
Net cash received from disposal of subsidiaries	99,329,954.44	
Disposal of properties or property assets	61,500,000.00	50,500,000.00
Total	298,829,954.44	214,009,091.00

XII Financial Report

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

63. Items on statements of cash flow (Continued)

(2) Cash relating to investing activities (Continued)

Significant cash paid relating to investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Expenses on construction projects, land and fixed assets	314,376,125.86	885,436,648.94
Net cash paid for acquisition of subsidiaries	4,934,751.03	367,997,918.78
External investment expenses		1,463,000,000.00
Total	319,310,876.89	2,716,434,567.72

(3) Cash relating to financing activities

Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Equipment leaseback	2,116,532,500.00	3,684,590,394.82
Net recovery of guarantee deposit	434,899,520.51	
Current accounts	135,100,000.00	
Deposit for finance lease	10,758,363.18	34,500,000.00
Total	2,697,290,383.69	3,719,090,394.82

XII Financial Report

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

63. Items on statements of cash flow (Continued)

(3) Cash relating to financing activities (Continued)

Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of equipment leaseback	2,761,859,486.35	2,237,763,312.31
Repayment of Perpetual Bonds	1,000,000,000.00	
Repayment of bonds	350,000,000.00	1,078,685,100.00
Acquisition of non-controlling interests	200,000,000.00	
Repayment of Perpetual Bonds interest	89,700,000.00	89,700,000.00
Equity in China Development Bank funds	68,750,000.00	75,500,000.00
Security deposit for financial leasing	68,250,000.00	76,000,000.00
Share repurchase under the share incentive scheme	66,228,770.38	11,757,730.78
Lease payable	7,013,099.60	
Repayment of short-term commercial paper and MTN		1,200,000,000.00
Net expense of guarantee deposit		919,816,742.13
Total	4,611,801,356.33	5,689,222,885.22

Changes in liabilities arising from financing activities

Applicable Not applicable

Unit: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	36,385,048,295.02	27,901,920,633.13	790,297,925.31	31,601,787,831.84		33,475,479,021.62
Long-term borrowings	5,902,984,476.64	3,035,002,236.00	139,321,559.07	3,122,391,126.01		5,954,917,145.70
Bonds payable	350,000,000.00			350,000,000.00		
Long-term payables	5,558,921,425.03	2,116,532,500.00	184,700,254.21	2,964,716,507.07		4,895,437,672.17
Lease liabilities	58,202,765.04			7,013,099.60	5,510,075.34	45,679,590.10
Other payables (financing)		282,524,750.00				282,524,750.00
Long-term receivables (deposit for financial leasing)	319,386,351.32	10,758,363.18	46,884,229.83	68,250,000.00		308,778,944.33
Other monetary funds (net change of guarantee deposit)	11,756,140,645.56	434,899,520.51				11,321,241,125.05
Other equity instrument investments (Perpetual Bonds)	996,000,000.00		89,700,000.00	1,085,700,000.00		
Capital reserve (Perpetual Bonds)	4,000,000.00			4,000,000.00		
Total	61,330,683,958.61	33,781,638,002.82	1,250,903,968.42	39,203,858,564.52	5,510,075.34	56,284,058,248.97

XII Financial Report

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

64. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	-1,326,642,417.86	317,362,691.41
Plus: Provision for impairment of assets	364,963,548.61	103,736,934.76
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of bearer biological assets	2,258,072,937.60	2,255,505,392.35
Depreciation of right-of-use assets	7,674,988.32	7,737,284.20
Amortisation of intangible assets	53,903,852.31	54,698,978.50
Amortisation of long-term prepaid expenses	4,580,218.92	4,678,921.69
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-14,607,428.91	-161,092,513.76
Loss on scrapped fixed assets (“-” denotes gain)	4,490,003.16	10,299,685.87
Loss on changes in fair value (“-” denotes gain)	25,555,304.50	25,253,928.81
Finance expenses (“-” denotes gain)	1,908,394,881.89	2,081,067,895.66
Investment loss (“-” denotes gain)	-505,067,035.78	76,042,787.35
Decrease in deferred income tax assets (“-” denotes increase)	-354,157,315.89	-220,919,108.82
Increase in deferred income tax liabilities (“-” denotes decrease)	1,308,894.76	-5,029,265.45
Decrease in inventories (“-” denotes increase)	741,332,805.87	-406,337,116.14
Decrease in operating receivables (“-” denotes increase)	348,500,778.63	332,267,872.35
Increase in operating payables (“-” denotes decrease)	871,645,292.69	-1,025,450,126.41
Others		
Net cash flows from operating activities	4,389,949,308.82	3,449,824,242.37
2. Major investing and financing activities not involving cash settlements		
3. Net change in cash and cash equivalents:		
Closing balance of cash	764,233,742.61	2,159,460,149.51
Less: Opening balance of cash	2,159,460,149.51	3,168,915,847.02
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-1,395,226,406.90	-1,009,455,697.51

XII Financial Report

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

64. 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	5,400,000.00
Of which: Jiangxi Chenming Port Co., Ltd.	5,400,000.00
Less: Cash and cash equivalents held by the subsidiary on the acquisition date	465,248.97
Of which: Jiangxi Chenming Port Co., Ltd.	465,248.97
Plus: Cash or cash equivalents paid in the current period for business combinations that occurred during previous periods	
Of which:	
Net cash paid for acquisition of subsidiaries	4,934,751.03

(3) Net Cash from Disposal of Subsidiaries Received in Current Period

Unit: RMB

	Amount
Cash or cash equivalents received in the current period from disposal of subsidiaries during the period	100,000,000.00
Of which: Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	100,000,000.00
Less: Cash and cash equivalents held by the subsidiary on the date of loss of control	670,045.56
Of which: Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	670,045.56
Plus: Cash or cash equivalents received in the current period from disposal of subsidiaries during previous periods	
Of which:	
Net cash received from disposal of subsidiaries	99,329,954.44

(4) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	764,233,742.61	2,159,460,149.51
Of which: Treasury cash	3,674,805.36	3,491,219.08
Bank deposit that can be used for payment at any time	760,558,937.25	2,155,968,930.43
III. Balance of cash and cash equivalent at end of period	764,233,742.61	2,159,460,149.51
Of which: Restricted cash and cash equivalents used by the Company or subsidiaries within the Group		

XII Financial Report

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

64. Supplementary information on cash flow statement (Continued)

(5) Monetary funds other than cash and cash equivalents

Unit: RMB

Item	Amount for the period	Amount for the prior period	Reasons why it is not cash and cash equivalents
Other monetary funds	11,321,241,125.05	11,756,140,645.56	See Note VII.1 for details
Interest accrued on deposits	39,357,963.64	84,834,191.01	See Note VII.1 for details
Total	11,360,599,088.69	11,840,974,836.57	

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

Nil

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	57,899,568.50	7.0827	410,085,273.80
EUR	1,308,213.22	7.8592	10,281,509.34
HKD	2,253,743.55	0.9062	2,042,387.48
GBP	1,475.74	9.0411	13,342.31
JPY	1,197.00	0.0502	60.10
Accounts receivable			
Of which: USD	5,433,637.49	7.0827	38,484,824.25
EUR	4,163,139.45	7.8592	32,718,945.57
JPY	146,734,998.00	0.0502	7,368,004.45
Other receivables			
Of which: USD	1,043,685.64	7.0827	7,392,112.28
EUR	7,100.59	7.8592	55,804.96
Accounts payable			
Of which: USD	83,066,527.52	7.0827	588,335,294.47
EUR	807,997.69	7.8592	6,350,215.45
Short-term borrowings			
Of which: USD	2,000,000.00	7.0827	14,165,400.00
EUR	1,050,000.00	7.8592	8,252,160.00

XII Financial Report

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

67. Leases

- (1) The Company as a lessee

Unit: RMB

Item	Amount for the period
Short-term lease expenses	8,017,898.94

- (2) The Company as a lessor

Operating lease as a lessor

Applicable Not applicable

Lease income

Unit: RMB

Item	Amount for the period
Lease income	205,849,883.65

XII Financial Report

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

67. Leases (Continued)

(2) The Company as a lessor (Continued)

Financial lease as a lessor

Applicable Not applicable

Undiscounted lease payments for each of the next five years

Applicable Not applicable

Unit: RMB

Item	Annual undiscounted lease payments	
	Closing balance	Opening balance
The first year	179,905,002.33	199,136,847.34
The second year	168,651,189.37	192,606,625.78
The third year	167,585,064.63	166,116,775.62
The fourth year	162,996,827.55	142,350,767.99
The fifth year	159,887,562.91	132,326,292.11
Five years later	165,396,559.34	131,251,761.59
Total	1,004,422,206.13	963,789,070.43

VIII. R&D expenses

Unit: RMB

Item	Amount during the period	Amount during the prior period
Consumption of raw materials	781,407,604.78	872,932,892.44
Utilities	155,276,067.70	181,428,197.66
Wages and surcharges	129,508,833.28	146,671,151.98
Depreciation expenses	56,914,306.41	45,016,402.19
Insurance premium	26,981,737.42	28,028,216.33
Housing provident funds	4,435,343.17	4,848,051.84
Welfare expenses	3,362,929.39	4,448,785.76
Union funds	1,323,605.61	1,159,873.86
Other expenses	5,209,270.37	5,747,968.04
Total	1,164,419,698.13	1,290,281,540.10
Of which: R&D expenses included in profit or loss	1,164,419,698.13	1,290,281,540.10
Capitalised R&D expenses		

XII Financial Report

IX. Change in scope of consolidation

1. Business combination not under common control

(1) Business combination not under common control during the current period

Unit: RMB

Acquiree	Date of acquiring the shareholding	Consideration for acquiring the shareholding	Shareholding ratio acquired	The way of acquiring the shareholding	Acquisition date	The basis for determining the date of acquisition	The income of acquiree from the date of acquisition to the end of the period	The net profit of acquiree from the date of acquisition to the end of the period	The cash flow of acquiree from the date of acquisition to the end of the period
Jiangxi Chenming Port Co., Ltd.	2023.4.30	5,400,000.00	100.00%	Acquisition	2023.4.30	Control	3,659,154.57	-1,234,456.79	-13,656,465.04

(2) Cost of combination and goodwill

Unit: RMB

Cost of combination	Jiangxi Chenming Port Co., Ltd.
– Cash	5,400,000.00
Total cost of combination	5,400,000.00
Less: the interest in the fair value of the identifiable net assets acquired	-2,873,638.42
Amount of goodwill/cost of combination being less than the interest in the fair value of the identifiable net assets acquired	8,273,638.42

Method for determining the fair value of the cost of combination:

The Company adopted the asset-based appraisal method and determined the equity acquisition price of Jiangxi Chenming Port Co., Ltd. on the appraisal benchmark date to be RMB5.4 million.

The main reason for the formation of significant goodwill: the Company did not control Jiangxi Chenming Port Co., Ltd. under common control, and the acquisition consideration is greater than the identifiable net assets.

XII Financial Report

IX. Change in scope of consolidation (Continued)

1. Business combination not under common control (Continued)

(3) Acquiree's identifiable assets or liabilities as at the acquisition date

Unit: RMB

	Jiangxi Chenming Port Co., Ltd.	
	Fair value as at the acquisition date	Carrying amount as at the acquisition date
Assets:	188,785,445.09	91,440,229.40
Monetary funds	465,248.97	465,248.97
Accounts receivable	3,080,417.76	3,080,417.76
Payments in advance	232,725.00	232,725.00
Other receivables	194,231.04	194,231.04
Long-term equity investments	59,345,429.05	2,450,000.00
Fixed assets	111,076,981.66	74,175,345.69
Intangible assets	14,358,032.02	10,809,881.35
Deferred income tax assets	32,379.59	32,379.59
Liabilities:	191,659,083.51	185,591,615.51
Accounts payable	4,684,349.81	4,684,349.81
Employee benefits payable	11,000.00	11,000.00
Taxes payable	35,123.62	35,123.62
Other payables	179,933,386.60	179,933,386.60
Long-term borrowings	927,755.48	927,755.48
Deferred income tax liabilities	6,067,468.00	
Net assets	-2,873,638.42	-94,151,386.11
Less: minority interest		
Net assets acquired from combination	-2,873,638.42	-94,151,386.11

Method for determining the fair value of identifiable assets and liabilities:

The Company adopted the asset-based method valuation technique to determine the fair value of the assets and liabilities of Jiangxi Chenming Port Co., Ltd. on the acquisition date.

Contingent liabilities of the acquiree assumed in a business combination:

Nil

XII Financial Report

IX. Change in scope of consolidation (Continued)

1. Business combination not under common control (Continued)

(4) Gains or losses arising from remeasurement of equity held before the acquisition date at fair value

Any transaction that realises the business combination step by step through multiple transactions and obtains control during the reporting period

Yes No

(5) Relevant explanation on the inability to reasonably determine the consideration of combination or the fair value of the acquiree's identifiable assets and liabilities on the acquisition date or at the end of the current period of combination

Applicable Not applicable

2. Disposal of a subsidiary

Any transaction or event that results in the loss of control of any subsidiary during the period

Yes No

Unit: RMB

Name of subsidiary	Disposal consideration at the date of loss of control	Disposal percentage at the date of loss of control (%)	Disposal method at the date of loss of control	Date of loss of control	The basis for determining the date 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 as per consolidated financial statements	Fair value of remaining shareholding as of the date of loss of control as per consolidated financial statements	Gain or loss in fair value of remaining shareholding	Determination and key assumption of fair value of remaining shareholding as of the date of loss of control as per consolidated financial statements	Relevant other comprehensive income of former subsidiary transferred to profit or loss or retained profit
											Gain or loss in fair value of remaining shareholding	of the date of loss of control as per consolidated financial statements
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	480,000,000.00	65.21	Transfer	2023.9.30	Loss of control	391,450,124.89	34.64	410,000,000.00	254,998,849.78	-155,001,150.22	Backflushing the corresponding proportion of equity interest disposed of	

Any situation where investments in subsidiaries are disposed of step by step through multiple transactions and control is lost during the period

Yes No

3. Change in scope of consolidation due to other reasons

During the year, 1 subsidiary was newly established, namely Shouguang Kunhe Trading Co., Ltd. 1 subsidiary was deregistered, namely Beijing Chenming Financial Leasing Co., Ltd.

XII Financial Report

X. Interest in other entities

1. Interest in subsidiaries

(1) Constitution of the Group

Unit: RMB'0,000

Name of subsidiary	Register capital	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.	691,357.24	Zhanjiang	Zhanjiang	Paper making	For-profit corporation	80.28		Establishment	0	0
Shouguang Meilun Paper Co., Ltd.	480,104.55	Shouguang	Shouguang	Paper making	For-profit corporation	64.87		Establishment	0	0
Jilin Chenming Paper Co., Ltd.	150,000.00	Jilin	Jilin	Paper making	For-profit corporation		100	Acquisition	0	0
Huanggang Chenming Pulp & Paper Co., Ltd.	335,000.00	Huanggang	Huanggang	Pulp production	For-profit corporation	70.15	29.85	Establishment	0	0
Shandong Chenming Paper Sales Co., Ltd.	10,000.00	Shouguang	Shouguang	Sales of paper product	For-profit corporation	100		Establishment	0	0
Shouguang Chenming Import and Export Trade Co., Ltd.	70,000.00	Shouguang	Shouguang	Trading	For-profit corporation	35.71	64.29	Establishment	0	0
Jiangxi Chenming Supply Chain Management Co., Ltd.	200.00	Jiangxi	Jiangxi	Trading	For-profit corporation		70	Establishment	0	0
Chenming GmbH	65.00 (USD)	Germany	Germany	Paper product trading	For-profit corporation	100		Establishment	0	0
Shouguang Chenming Papermaking Machine Co., Ltd.	200.00	Shouguang	Shouguang	Machinery manufacturing	For-profit corporation	100		Establishment	0	0
Shouguang Hongxiang Printing and Packaging Co., Ltd.	80.00	Shouguang	Shouguang	Printing and packaging	For-profit corporation	100		Acquisition	0	0
Shouguang Chenming Modern Logistic Co., Ltd.	1,000.00	Shouguang	Shouguang	Transportation	For-profit corporation	100		Establishment	0	0
Jinan Chenming Paper Sales Co., Ltd.	10,000.00	Jinan	Jinan	Investment management/ Paper product trading	For-profit corporation	100		Establishment	0	0
Huanggang Chenming Arboriculture Development Co., Ltd.	7,000.00	Huanggang	Huanggang	Arboriculture	For-profit corporation	100		Establishment	0	0
Chenming Arboriculture Co., Ltd.	10,000.00	Wuhan	Wuhan	Arboriculture	For-profit corporation	100		Establishment	0	0
Chenming Paper Korea Co., Ltd.	100.00 (USD)	Korea	Korea	Paper product trading	For-profit corporation	100		Establishment	0	0
Shouguang Shun Da Customs Declaration Co., Ltd.	150.00	Shouguang	Shouguang	Customs declaration	For-profit corporation	100		Establishment	0	0
Shanghai Chenming Industry Co., Ltd.	370,000.00	Shanghai	Shanghai	Property investment and management	For-profit corporation		100	Establishment	0	0
Shanghai Chenyin Trading Co., Ltd.	41,000.00	Shanghai	Shanghai	Trading	For-profit corporation		51	Establishment	0	0
Shandong Chenming Group Finance Co., Ltd.	500,000.00	Jinan	Jinan	Finance	For-profit corporation	80	20	Establishment	0	0
Jiangxi Chenming Paper Co., Ltd.	32,673.32 (USD)	Nanchang	Nanchang	Paper making	For-profit corporation		100	Establishment	0	0

XII Financial Report

X. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of subsidiary	Register capital	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding		Acquisition	Issued debt securities	Issued share capital
						Direct (%)	Indirect (%)			
Nanchang Shengheng Trading Co., Ltd.	1,000.00	Nanchang	Nanchang	Trading	For-profit corporation	100		Establishment	0	0
Nanchang Kunheng Trading Co., Ltd.	1,000.00	Nanchang	Nanchang	Trading	For-profit corporation	100		Establishment	0	0
Jiangxi Chenming Port Co., Ltd.	1,507.00	Jiangxi	Jiangxi	Cargo transportation	For-profit corporation		100	Merger and acquisition	0	0
Shouguang Chenming Art Paper Co., Ltd.	2,000.00 (USD)	Shouguang	Shouguang	Paper making	For-profit corporation	75		Establishment	0	0
Hailaer Chenming Paper Co., Ltd.	1,600.00	Hailaer	Hailaer	Paper making	For-profit corporation	75		Establishment	0	0
Shandong Grand View Hotel Co., Ltd.	4,192.48 (USD)	Shouguang	Shouguang	Catering	For-profit corporation	90.05		Establishment	0	0
Shandong Chenming Financial Leasing Co., Ltd.	587,200.00	Jinan	Jinan	Financial leasing	For-profit corporation		100	Establishment	0	0
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	500,000.00	Qingdao	Qingdao	Financial leasing	For-profit corporation		100	Establishment	0	0
Chenming (HK) Limited	9,990.00 (USD)	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100	Establishment	0	0
Shouguang Hongyi Decorative Packaging Co., Ltd.	200.00	Shouguang	Shouguang	Packaging	For-profit corporation		100	Merger and acquisition	0	0
Shouguang Xinyuan Coal Co., Ltd.	300.00	Shouguang	Shouguang	Coal	For-profit corporation		100	Merger and acquisition	0	0
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	2,380.00	Shouguang	Shouguang	Purchase and sale of waste	For-profit corporation		100	Merger and acquisition	0	0
Shouguang Wei Yuan Logistics Company Limited	393.00	Shouguang	Shouguang	Logistics	For-profit corporation		100	Merger and acquisition	0	0
Shandong Chenming Investment Limited	20,000.00	Jinan	Jinan	Investment	For-profit corporation		100	Establishment	0	0
Chenming Paper Japan Co., Ltd.	150.00 (USD)	Japan	Japan	Paper product trading	For-profit corporation		100	Establishment	0	0
Chenming International Co., Ltd.	100.00 (USD)	the United States	the United States	Paper product trading	For-profit corporation		100	Establishment	0	0
Zhanjiang Chenming Arboriculture Development Co., Ltd.	130,000.00	Zhanjiang	Zhanjiang	Arboriculture	For-profit corporation		100	Establishment	0	0
Yangjiang Chenming Arboriculture Development Co., Ltd.	22,000.00	Yangjiang	Yangjiang	Arboriculture	For-profit corporation		100	Establishment	0	0
Nanchang Chenming Arboriculture Development Co., Ltd.	1,000.00	Nanchang	Nanchang	Arboriculture	For-profit corporation		100	Establishment	0	0

XII Financial Report

X. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of subsidiary	Register capital	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding		Acquisition	Issued debt securities	Issued share capital
						Direct (%)	Indirect (%)			
Guangdong Huirui Investment Co., Ltd.	25,800.00	Zhanjiang	Zhanjiang	Investment	For-profit corporation	100		Establishment	0	0
Jilin Chenming New-style Wall Materials Co., Ltd	1,000.00	Jilin	Jilin	Wall materials	For-profit corporation	100		Establishment	0	0
Jilin Chenming Logistics Co., Ltd.	500.00	Jilin	Jilin	Logistics	For-profit corporation	100		Establishment	0	0
Jiangxi Chenming Logistics Co., Ltd.	500.00	Nanchang	Nanchang	Logistics	For-profit corporation	100		Establishment	0	0
Fuyu Chenming Paper Co., Ltd.	30,800.00	Fuyu	Fuyu	Paper making	For-profit corporation	100		Establishment	0	0
Zhanjiang Meilun Pulp & Paper Co., Ltd.	10,000.00	Zhanjiang	Zhanjiang	Paper making	For-profit corporation	100		Establishment	0	0
Shanghai Chenming Financial Leasing Co., Ltd.	100,000.00	Shanghai	Shanghai	Financial leasing	For-profit corporation	100		Establishment	0	0
Wuhan Junheng Property Management Co. Ltd.	39,600.00	Wuhan	Wuhan	Property	For-profit corporation	100		Merger and acquisition	0	0
Guangzhou Chenming Property Management Co., Ltd.	100,000.00	Guangzhou	Guangzhou	Property	For-profit corporation	100		Establishment	0	0
Shanghai Hongtai Real Estate Co., Ltd.	60,391.77	Shanghai	Shanghai	Real estate	For-profit corporation	100		Merger and acquisition	0	0
Shanghai Hongtai Property Management Co., Ltd.	200.00	Shanghai	Shanghai	Property	For-profit corporation	100		Merger and acquisition	0	0
Shandong Chenming Commercial Factoring Co., Ltd	20,000.00	Jinan	Jinan	Business factoring	For-profit corporation	100		Establishment	0	0
Guangzhou Chenming Commercial Factoring Co., Ltd.	10,000.00	Guangzhou	Guangzhou	Business factoring	For-profit corporation	51		Establishment	0	0
Jiangxi Chenming Tea Co., Ltd.	1,000.00	Jiangxi	Jiangxi	Tea business	For-profit corporation	100		Establishment	0	0
Zhanjiang Chenming Port Co., Ltd.	10,000.00	Zhanjiang	Zhanjiang	Port services	For-profit corporation	100		Establishment	0	0
Chenming Paper United States Co., Ltd.	100.00 (USD)	the United States	the United States	Paper product trading	For-profit corporation	100		Establishment	0	0
Guangdong Chenming Panels Co., Ltd.	1,000.00	Guangdong	Guangdong	Panels	For-profit corporation	100		Establishment	0	0
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000.00	Shanghai	Shanghai	Paper product trading	For-profit corporation	100		Establishment	0	0
Meilun (BVI) Limited	5.00 (USD)	Cayman	Cayman	Commerce	For-profit corporation	100		Establishment	0	0
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	100,000.00	Weifang	Weifang	Fund	For-profit corporation	79		Establishment	0	0

XII Financial Report

X. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of subsidiary	Register capital	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding Direct (%)	Shareholding Indirect (%)	Acquisition	Issued debt securities	Issued share capital
Nanjing Chenming Culture Communication Co., Ltd.	500.00	Nanjing	Nanjing	Marketing	For-profit corporation	100		Establishment	0	0
Chenming (Overseas) Limited	2,000.00 (USD)	Hong Kong	Hong Kong	Paper product trading	For-profit corporation	100		Establishment	0	0
Chenming (Singapore) Limited	2,000.00 (USD)	Singapore	Singapore	Paper product trading	For-profit corporation	100		Establishment	0	0
Kunshan Tuoan Plastic Products Co., Ltd.	5,000.00	Kunshan	Kunshan	Rubber and plastic	For-profit corporation	100		Merger and acquisition	0	0
Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)	200,100.00	Huanggang	Huanggang	Fund	For-profit corporation	59.97		Establishment	0	0
Hainan Chenming Technology Co., Ltd.	20,000.00	Haikou	Haikou	Wholesale and retail	For-profit corporation	100		Establishment	0	0
Foshan Chenming Import and Export Trade Co., Ltd.	20,000.00	Foshan	Foshan	Trading	For-profit corporation	100		Establishment	0	0
Shanghai Herui Investment Co., Ltd.	30,150.00	Shanghai	Shanghai	Business services	For-profit corporation	100		Merger and acquisition	0	0
Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.	300.00	Huanggang	Huanggang	Capital market services	For-profit corporation	60		Establishment	0	0
Shandong Dingkun Asset Management Partnership (Limited Partnership)	100,100.00	Shouguang	Shouguang	Business services	For-profit corporation	100		Establishment	0	0
Huanggang Chenming Paper Technology Co., Ltd.	100,000.00	Huanggang	Huanggang	Paper making	For-profit corporation	100		Establishment	0	0
Huanggang Chenming Port Co., Ltd.	5,000.00	Huanggang	Huanggang	Port services	For-profit corporation	100		Establishment	0	0
Weifang Chendu Equity Investment Partnership (Limited Partnership)	32,000.00	Shouguang	Shouguang	Capital market services	For-profit corporation	79.69		Establishment	0	0
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	5,000.00	Huanggang	Huanggang	Trading	For-profit corporation	100		Establishment	0	0
Shanxi Fuyin Industrial Trading Co., Ltd.	36,000.00	Taiyuan	Taiyuan	Wholesale and retail	For-profit corporation	100		Acquisition	0	0
Chongmin Culture Development (Shanghai) Co., Ltd.	20,000.00	Shanghai	Shanghai	Leasing and business services	For-profit corporation	100		Acquisition	0	0
Shouguang Meichen Energy Technology Co., Ltd.	100.00	Shouguang	Shouguang	Electricity	For-profit corporation	100		Establishment	0	0
Shouguang Kunhe Trading Co., Ltd.	1,000.00	Shouguang	Shouguang	Trading	For-profit corporation	100		Establishment	0	0

XII Financial Report

X. Interest in other entities (Continued)

1. Interest in subsidiaries (Continued)

(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 Meilun Paper Co., Ltd.	35.13	55,142,614.09	149,313,617.44	2,202,990,923.91
Zhanjiang Chenming Pulp & Paper Co., Ltd.	19.72	-89,947,577.95	105,000,000.00	1,570,159,835.18

(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 Meilun Paper Co., Ltd.	5,534,633,307.08	10,096,140,872.04	15,630,774,179.12	6,282,312,497.46	888,031,988.48	7,170,344,485.94	5,271,560,197.74	10,517,781,981.22	15,789,342,178.96	5,706,873,517.18	1,592,276,073.16	7,299,149,590.34
Zhanjiang Chenming Pulp & Paper Co., Ltd.	12,562,782,806.69	13,116,686,959.25	25,679,469,765.94	14,866,141,937.07	1,876,669,919.47	16,742,811,856.54	12,177,003,083.15	13,209,726,474.81	25,386,729,557.96	14,522,121,479.88	1,696,026,289.09	16,218,147,768.97

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 Meilun Paper Co., Ltd.	9,084,559,413.98	153,008,366.72	153,008,366.72	1,528,677,090.76	8,877,750,999.39	384,015,682.06	384,015,682.06	1,662,815,139.80
Zhanjiang Chenming Pulp & Paper Co., Ltd.	11,000,808,231.98	-541,888,245.61	-543,112,252.63	1,332,553,432.65	12,333,411,837.39	162,214,497.02	162,810,926.89	1,863,903,466.34

XII Financial Report

X. 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 62.49% equity interest in Shouguang Meilun Paper Co., Ltd. In 2023, the Company and Dongxing Securities Investment Co., Ltd. entered into an equity transfer agreement in relation to the transfer of 2.38% equity interest in Shouguang Meilun Paper Co., Ltd to the Company. The equity transfer transaction did not result in the loss of control over Shouguang Meilun Paper Co., Ltd. by the Company. As at 31 December 2023, the equity transfer agreement was completed, and the transaction consideration paid was RMB200 million. The transaction resulted in a decrease in minority interest by RMB199.3614 million, and a decrease in capital reserves by RMB638,600.

The Company previously held 82.67% equity interest in Zhanjiang Chenming Pulp & Paper Co., Ltd. In 2023, the Company and Shandong Caixin Investment Co., Ltd. entered into a capital increase agreement in relation to Zhanjiang Chenming Pulp & Paper Co., Ltd., and Shandong Caixin Investment Co., Ltd. acquired 2.89% equity interest in Zhanjiang Chenming Pulp & Paper Co., Ltd. As at 31 December 2023, the capital increase agreement was completed, and the additional capital contribution paid was RMB300 million. The transaction resulted in an increase in minority interest by RMB251.0441 million, and an increase in capital reserves by RMB48.9559 million.

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

Unit: RMB

Item	Shouguang Meilun Paper Co., Ltd.
Cost of acquisition	200,000,000.00
– Cash	200,000,000.00
– Fair value of non-cash assets	
Total cost of acquisition	200,000,000.00
Less: Share of net assets of the subsidiary calculated based on the proportion of equity interest acquired/disposed of	199,361,382.36
Difference	638,617.64
Of which: Capital reserve adjustment	638,617.64

Unit: RMB

Item	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Amount of capital increase	300,000,000.00
– Cash	300,000,000.00
– Fair value of non-cash assets	
Total amount of capital increase	300,000,000.00
Share of the subsidiary's net assets after the capital increase	6,689,694,348.03
Less: Share of the subsidiary's net assets before the capital increase	6,640,738,406.81
Difference	48,955,941.22
Of which: Capital reserve adjustment	48,955,941.22

XII Financial Report

X. Interest in other entities *(Continued)*

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint venture and associate	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method for investment in joint ventures or associates
				Direct (%)	Indirect (%)	
I. Joint venture						
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Shouguang	Shouguang	Investment		49.57	Equity method
II. Associate						
Guangdong Nanyue Bank Co., Ltd.	Guangdong	Guangdong	Bank		4.46	Equity method

The Company holds 4.46% equity interest in Guangdong Nanyue Bank Co., Ltd. but is the second largest shareholder and is able to exercise significant influence over Guangdong Nanyue Bank Co., Ltd. by appointing one director to the board of directors (out of a total of nine directors on the board of directors).

XII Financial Report

X. 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 Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Opening balance/ amount for the prior period Shouguang Jintou Industrial Investment Partnership (Limited Partnership)
Current assets	1,775,433,885.35	1,373,114,822.27
Of which: Cash and cash equivalents	1,047,090.41	98,300.08
Non-current assets	408,884,578.74	992,000,000.00
Total assets	2,184,318,464.09	2,365,114,822.27
Current liabilities	104,387,199.50	1,000.00
Non-current liabilities	5,805,542.05	
Total liabilities	110,192,741.55	1,000.00
Minority interest		
Equity interest attributable to shareholders of the parent company	2,074,125,722.54	2,365,113,822.27
Share of net assets based on shareholding	1,028,131,675.91	1,172,372,731.02
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others	1,316,438,571.64	1,187,625,930.65
Carrying amount of equity investment in joint ventures	2,344,570,247.55	2,359,998,661.67
Fair value of equity investment in joint ventures where publicly quoted prices exist		
Revenue	857,541,982.94	
Finance expenses	765,662.12	2,699.92
Income tax expenses		
Net profit	-15,428,414.12	-2,699.92
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-15,428,414.12	-2,699.92
Dividends received from joint ventures during the year		

XII Financial Report

X. 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 Guangdong Nanyue Bank Co., Ltd.	Opening balance/ amount for the prior period Guangdong Nanyue Bank Co., Ltd.
Current assets	194,828,415,917.54	153,109,778,598.66
Non-current assets	111,581,185,310.11	74,753,438,649.12
Total assets	306,409,601,227.65	227,863,217,247.78
Current liabilities	250,233,916,389.30	181,929,537,932.08
Non-current liabilities	26,252,549,634.28	26,407,317,751.35
Total liabilities	276,486,466,023.58	208,336,855,683.43
Minority interest	68,358,275.97	65,058,817.68
Equity interest attributable to shareholders of the parent company	29,854,776,928.10	19,461,302,746.67
Share of net assets based on shareholding	1,331,523,051.00	1,314,611,000.54
Adjustments		
— Goodwill		
— Unrealised profit arising from intra-group transactions		
— Others		
Carrying amount of equity investment in associates	1,331,523,051.00	1,314,611,000.54
Fair value of equity investment in associates where publicly quoted prices exist		
Revenue	2,739,283,882.64	2,704,071,331.52
Net profit	416,331,873.52	383,800,672.37
Net profit from discontinued operations		
Other comprehensive income	-9,346,709.52	9,399,591.65
Total comprehensive income	406,985,164.00	393,200,264.02
Dividends received from associates during the year		

XII Financial Report

X. 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	197,483,273.06	183,537,459.15
Total amount of the following items based on shareholding		
– Net profit	16,545,813.91	1,023,678.08
– Other comprehensive income		
– Total comprehensive income	16,545,813.91	1,023,678.08
Associates:		
Total carrying amount of investment	811,622,814.12	418,866,248.20
Total amount of the following items based on shareholding		
– Net profit	102,840,690.39	-6,845,264.34
– Other comprehensive income		
– Total comprehensive income	102,840,690.39	-6,845,264.34

XII Financial Report

XI. Government grants

1. Government grants recognised at the end of the reporting period at the amount receivable

Applicable Not applicable

Reasons for not receiving the estimated amount of government grants at the estimated time

Applicable Not applicable

2. Liabilities in respect of government grants:

Applicable Not applicable

Unit: RMB

Subsidy item	Accounting item	Opening balance	New grants during the period	Include in non-operating income for the period	Include in other income for the period	Other changes for the period	Closing balance	Asset-related/income-related
Funding for environmental protection	Deferred income	576,455,283.80			51,761,248.56		524,694,035.24	Asset-related
Huanggang pulp-forestry-paper project	Deferred income	470,994,523.05			25,026,217.80		445,968,305.25	Asset-related
Infrastructure and environmental protection engineering transformation project	Deferred income	208,320,966.69			11,517,589.44		196,803,377.25	Asset-related
Financial subsidies for technical transformation project	Deferred income	132,614,525.64	1,730,000.00		39,238,509.96		95,106,015.68	Asset-related
Zhanjiang forestry-pulp-paper project	Deferred income	46,711,964.27			4,094,632.92		42,617,331.35	Asset-related
Project fund for National Key Technology Research and Development Program	Deferred income	958,425.00			164,700.00		793,725.00	Asset-related
Others	Deferred income	33,174,780.01			1,293,455.08		31,881,324.93	Asset-related
Total		1,469,230,468.46	1,730,000.00		133,096,353.76		1,337,864,114.70	

XII Financial Report

XI. Government grants (Continued)

3. Government grants included in profit or loss for the period:

Applicable Not applicable

Unit: RMB

Subsidy item	Accounting item	Amount for the period	Amount for the prior period
Funding for environmental protection	Other gains	51,761,248.56	50,592,141.88
Financial subsidies for technical transformation project	Other gains	39,699,264.96	52,395,702.39
Huanggang pulp-forestry-paper project	Other gains	25,026,217.80	25,026,217.80
Government awards	Other gains	13,580,000.00	7,494,600.00
Sewage treatment and water conservation transformation project	Other gains	11,517,589.44	11,778,260.39
Subsidies for social insurance	Other gains	11,140,000.00	1,000,000.00
Afforestation subsidy	Other gains	4,487,983.85	2,695,823.49
Zhanjiang forestry-pulp-paper project	Other gains	4,094,632.92	4,094,632.92
Immediate VAT refund	Other gains	3,186,241.18	8,346,328.57
Employment stabilisation subsidy	Other gains	1,143,782.30	3,012,954.63
Enterprise reform and development subsidies	Other gains	904,184.00	66,394,161.00
Project Funding for National Key Technology Research and Development Program	Other gains	164,700.00	164,700.00
Subsidies for foreign trade projects	Other gains	46,689.71	116,915.50
R&D subsidy	Other gains	4,000.00	500,000.00
Special subsidy from the Bureau of Finance	Non-operating income		73,730,000.00
One-time job retention subsidies	Other gains		2,125,800.00
Refund of tax	Other gains		762,888.19
Others	Other gains, non-operating income	3,221,744.73	4,203,523.72
Total		169,978,279.45	314,434,650.48

XII. Risk relating to financial instruments

Main financial instruments of the Group include monetary funds, bills receivable, accounts receivable, accounts receivable financing, other receivables, non-current assets due within one year, financial assets held for trading, other current assets, long-term receivables, other non-current financial assets, bills payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities and long-term payables. Details of financial instruments refer to related notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled in a limited extent.

1. Risk management goals and policies

The Company aims to seek the appropriate balance between the risks and benefits in order to mitigate the adverse effects on the Company's financial performance from financial risk. Based on such objectives, the Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and devise corresponding internal control procedures, and to monitor risks faced by the Company. Such risk management policies and internal control systems are reviewed regularly to adapt to changes in market conditions and the Company's activities. The internal audit department of the Company undertakes both regular and ad-hoc reviews of risk management controls and procedures

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

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

Risks associated with the financial instrument of the Company mainly include credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk).

The board of directors is responsible to plan and establish the Company's risk management structure, make risk management policies and related guidelines, and supervise the implementation of risk management. The Company has already made risk management risks to identify and analyse risks that the Company face. These policies mentioned specific risks, covering market, credit risk and liquidity risk etc. The Company regularly assesses market environment and the operation of the Company changes to determine if to make alteration to risk management policy and systems. The Company's risk management is implemented by Risk Management Committee according to the approval of the board of directors. The Risk Management Committee works closely with other business department of the Company to identify, evaluating and avoiding certain risks. The Company's internal audit department will audit the risk management control and procedures regularly and report the result to audit committee of the Company.

The Company spreads risks through diverse investment and business lines, and through making risk management policy to reduce risks of single industry, specific area and counterpart.

(1) Credit risk

Credit risk refers to risk associated with the default of contract obligation of a transaction counterparty resulting in financial losses to the Company.

The Company manages credit risk based category. Credit risks mainly arose from bank deposit, bills receivable, accounts receivable, other receivables and long-term receivables etc.

The Company's bank deposit mainly deposits in state-owned banks and other large and medium-sized listed banks. The Company anticipated that the bank deposit does not have significant credit risk.

For accounts receivables, other receivables and long-term receivables, the Company set related policies to control exposure of credit risks. The Company evaluates client's credit quality and set related credit period based on the client's financial status, credit records and other factors such as current market situation etc. The Company keeps monitor the client's credit record and for client with deteriorate credit records, the Company will ensure the credit risk is under control in whole by means of written notice of payment collection, shorten or cancel credit period.

The Company's debtor spread over different industry and area. The Company continued to assess the credit evaluation to receivables and purchase credit guarantee insurance if necessary.

The biggest credit risk exposure of the Company is the carrying amount of each financial asset in the balance sheet. The Company did not provide financial guarantee which resulted in credit risks.

The amount of top 5 accounts receivable of the Company accounted for 36.65% (2022: 30.43%) of the Company's total accounts receivables. The amount of top 5 other receivable of the Company accounted for 70.32% (2022: 64.05%) of the Company's total other receivables.

XII Financial Report

XII. 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 2023, the Company's unused bank loan credit was RMB44,131.5478 million (31 December 2022: RMB42,790.5450 million). The closing balance of financial assets of the Company due within one year amounted to RMB24,568.6892 million, while the closing balance of financial liabilities due within one year amounted to RMB48,230.6088 million. The financial assets due within one year was less than that of financial liabilities. To manage liquidity risk, in 2024, the Company will focus on its major operations, actively divest or dispose non-major operations, and put greater efforts in recovery of financial lease payment. In addition to controlling its capital expenditures, the Company will also strengthen internal control and further lower its costs. The Company will enhance market operations, boost sales volume and enhance corporate efficiency.

As at the end of the period, the financial assets, financial liabilities and off balance sheet guarantee held by the Company are analysed by their maturity date as below at their remaining undiscounted contractual cash flows (in RMB'0,000):

Item	Closing balance				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets:					
Monetary funds	1,208,547.49				1,208,547.49
Financial assets held for trading	4,629.43				4,629.43
Bills receivable	41,160.00				41,160.00
Accounts receivable	307,757.71				307,757.71
Accounts receivable financing	21,588.42				21,588.42
Other receivables	273,484.02				273,484.02
Long-term receivables		29,478.61	6,700.00		36,178.61
Other non-current financial assets				78,156.10	78,156.10
Other current assets	69,994.65				69,994.65
Non-current assets due within one year	529,707.20				529,707.20
Total financial assets	2,456,868.92	29,478.61	6,700.00	78,156.10	2,571,203.63
Financial liabilities:					
Short-term borrowings	3,344,774.24				3,344,774.24
Bills payable	461,898.65				461,898.65
Accounts payable	390,262.09				390,262.09
Other payables	241,475.21				241,475.21
Non-current liabilities due within one year	374,650.69				374,650.69
Other current liabilities	10,000.00				10,000.00
Long-term borrowings		84,962.58	115,780.76	267,358.11	468,101.45
Lease liabilities		453.22	354.01	5,249.95	6,057.18
Long-term payables		149,201.63	112,355.62		261,557.25
Total financial liabilities and contingent liabilities	4,823,060.88	234,617.43	228,490.39	272,608.06	5,558,776.76

XII Financial Report

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

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

(2) Liquidity risk *(Continued)*

As at the end of the prior year, the financial assets, financial liabilities and off-balance sheet guarantee held by the Company are analysed by their maturity date as below at their remaining undiscounted contractual cash flows (in RMB'0,000):

Item	Balance as at the end of the prior year				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets:					
Monetary funds	1,391,560.08				1,391,560.08
Financial assets held for trading	7,470.84				7,470.84
Accounts receivable	370,056.08				370,056.08
Accounts receivable financing	92,496.04				92,496.04
Other receivables	219,982.47				219,982.47
Long-term receivables		139,749.85	34,634.23		174,384.08
Other non-current financial assets				78,675.08	78,675.08
Other current assets	70,564.90				70,564.90
Non-current assets due within one year	492,071.00				492,071.00
Total financial assets	2,644,201.41	139,749.85	34,634.23	78,675.08	2,897,260.57
Financial liabilities:					
Short-term borrowings	3,635,232.46				3,635,232.46
Bills payable	312,859.58				312,859.58
Accounts payable	411,496.68				411,496.68
Other payables	185,450.80				185,450.80
Non-current liabilities due within one year	487,609.74				487,609.74
Long-term borrowings		102,329.00	181,247.82	114,646.81	398,223.63
Lease liabilities		408.73	1,338.55	5,485.00	7,232.28
Long-term payables		169,345.00	105,959.87	59,653.02	334,957.89
Total financial liabilities and contingent liabilities	5,032,649.26	272,082.73	288,546.24	179,784.83	5,773,063.06

The financial liabilities disclosed above are based on cash flows that are not discounted and may differ from the carrying amount of the line items of the balance sheet.

Maximum guarantee amount for signed guarantee contracts does not represent the amount to be paid.

XII Financial Report

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

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

(3) Market risk

Market risk includes interest rate risk and currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the changes in market price.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Company's interest rate risk arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Company continuously monitors the interest rate position of the Company. The Company did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Company's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

Interest bearing financial instrument held by the Company are as follows (in RMB'0,000):

Item	Balance for the year	Balance for the prior year
Financial instrument with fixed interest rate		
Financial liabilities		
Of which: Short-term borrowings	3,344,774.24	3,635,232.46
Long-term borrowings	468,101.45	398,223.63
Bonds payable		
Long-term borrowings due within one year	127,390.27	190,887.34
Bonds payable due within one year		35,000.00
Total	3,940,265.96	4,259,343.43
Financial instrument with float interest rate		
Financial assets		
Of which: Monetary funds	1,208,180.01	1,391,210.96
Total	1,208,180.01	1,391,210.96

XII Financial Report

XII. Risk relating to financial instruments (Continued)

1. Risk management goals and policies (Continued)

(3) Market risk (Continued)

As at 31 December 2023, if the interest rates of borrowings at floating interest rates increase or decrease by 25 basis points with all other factors remain unchanged, the Company's net profit and shareholders' equity will increase or decrease by RMB3,733,100 (31 December 2022: RMB3,007,800). The bank's interest settlement date is generally the 20th of each month, according to the accounting period, so you need to consider the interest rate for the next 11 days, the balance of the current loan * the average borrowing rate for the year * 25%/360 * 11 * 25%.

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 2023 are as follows (in RMB'0,000):

Item	Liabilities denominated in foreign currency		Asset denominated in foreign currency	
	Closing balance	Closing balance of the prior year	Closing balance	Closing balance of the prior year
USD	60,628.27	130,604.70	45,596.22	88,289.61
EUR	1,460.24	20,033.37	4,305.63	14,744.91
HKD			204.24	100.71
KRW				
JPY			736.80	768.90
GBP			1.33	1.37
Total	62,088.51	150,638.07	50,844.22	103,905.50

The Group continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks it faces, and for this reason the Group may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts.

XII Financial Report

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

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

(3) Market risk *(Continued)*

Exchange rate risk *(Continued)*

With other variables unchanged, the after-tax effect of the possible reasonable changes in the exchange rate of foreign currency to RMB on the current profit and loss of the Company is as follows (in RMB'0,000):

Increase (decrease) in after-tax profits	Balance for the period		Balance for the prior period	
Increase in exchange rate of USD	5%	-751.60	5%	-2,115.75
Decrease in exchange rate of USD	-5%	751.60	-5%	2,115.75
Increase in exchange rate of Euro	5%	142.27	5%	-264.42
Decrease in exchange rate of Euro	-5%	-142.27	-5%	264.42

Other price risks

Other price risks refer to the risk of fluctuations caused by changes in market prices other than exchange rate risks and interest rate risks, whether arising from factors related to a single financial instrument or its issuer, or from factors related to all similar financial instruments traded on the market. Other price risks can stem from changes in commodity prices, stock market indexes, equity instrument prices, and other risk variables.

Listed equity instrument investments held by the Company classified as financial assets held for trading, other non-current financial assets and other equity instrument investments are measured at fair value on the balance sheet date. Therefore, the Company is subject to the risk of changes in the securities market.

The Company monitors closely the impact of price changes on the price risk of the Company's investment in equity securities. The Company has not taken any measures to avoid other price risks. However, the management is responsible for monitoring other price risks, and will consider holding multiple equity securities portfolios to reduce the price risk of equity securities investment when necessary.

With other variables unchanged, the after-tax effect of the change of -38.03% (last year: -32.63%) in equity securities investment prices on the Company's current profit and loss and other comprehensive income is as follows (unit: RMB'0,000):

Item	Increase (decrease) in after-tax profits		Increase (decrease) in other comprehensive income	
	Balance for the period	Balance for the prior period	Balance for the period	Balance for the prior period
Due to the rise in the price of equity securities investment				
Due to the decline in the price of equity securities investment	-2,841.42	-3,617.77		

XII Financial Report

XII. Risk relating to financial instruments (Continued)

2. Capital management

The objective of the Company's capital risk management is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust its financing methods, adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net liabilities divided by total capital. As at 31 December 2023, the Company's gearing ratio is 73.46% (31 December 2022: 71.85%).

3. Financial assets

(1) By transfer method

Applicable Not applicable

Unit: RMB

Transfer Method	Nature of financial assets transferred	Amount of financial assets transferred	Confirmation of derecognition	Basis for derecognition
Transfer Agreement	Financial lease receivables	369,762,057.02	Derecognised	If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee
Transfer Agreement	Factoring receivables	27,600,041.68	Derecognised	If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee
Total		397,362,098.70		

(2) Financial assets derecognised due to transfer

Applicable Not applicable

Unit: RMB

Item	Method of financial assets transfer	Amount of financial assets derecognised	Gains or losses associated with derecognition
Financial lease receivables from Ningxia Jianlong Special Steel Co Ltd	Transfer Agreement	369,762,057.02	30,237,942.98
Factoring receivables from Yueqing Zhongneng Commercial Management Co., Ltd.	Transfer Agreement	27,600,041.68	
Total		397,362,098.70	30,237,942.98

XII Financial Report

XII. Risk relating to financial instruments (Continued)

3. Financial assets (Continued)

(3) Continuous involvement in the transferred financial asset

Applicable Not applicable

XIII. Fair value disclosure

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

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorised as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).

Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

(1) Items and amounts measured at fair value

As at the end of the period, assets and liabilities measured at fair value are listed as follows based on the three hierarchies as set out above:

Unit: RMB

Item	Fair value measurements categorised into Level 1	Fair value measurements categorised into Level 2	Fair value measurements categorised into Level 3	Total
I. Measurement of fair value on an ongoing basis				
(i) Financial assets held for trading	46,294,291.71			46,294,291.71
1. Debt instruments investments				
2. Equity instrument investments	46,294,291.71			46,294,291.71
(ii) Accounts receivable financing			215,884,249.97	215,884,249.97
(iii) Other non-current financial assets			781,561,040.57	781,561,040.57
(iv) Biological assets			1,483,978,089.61	1,483,978,089.61
1. Consumable biological assets			1,483,978,089.61	1,483,978,089.61
Total assets measured at fair value on an ongoing basis	46,294,291.71		2,481,423,380.15	2,527,717,671.86
II. Non-continuous measurement of fair value				
Identifiable assets of the acquiree acquired in a business combination not under common control			183,330,768.93	183,330,768.93
Total assets measured at fair value not on an ongoing basis			183,330,768.93	183,330,768.93
Identifiable liabilities of the acquiree acquired in a business combination not under common control			182,760,158.04	182,760,158.04
Total liabilities measured at fair value not on an ongoing basis			182,760,158.04	182,760,158.04

XII Financial Report

XIII. Fair value disclosure (Continued)

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

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

Unit: RMB

Item	Fair value as at the end of the period	Valuation techniques	Unobservable inputs	Range
Equity instrument investments:				
Shandong Hongqiao Venture Capital Co., Ltd.	78,170,000.00	Cost method		
Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)	400,041,731.59	See explanation for details		
Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership)	259,057,284.79	See explanation for details		
Consumable biological assets:				
Forestry	1,483,978,089.61	Roll back method of market price	Unit price per tonne of Eucalyptus wood	RMB560
			Unit price per tonne of wet pine	RMB555
			Unit price per tonne of fir wood	RMB625

Explanation: The Company has no active trading market for Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership) and Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership). Due to the withdrawal or entry of shareholders of the underlying companies during the period, the Company calculates their fair values at the end of the period with reference to the changes in transaction prices of shareholders.

XIV. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Chenming Holdings Co., Ltd.	Shouguang		Investment in manufacture of paper, electricity, steam, and arboriculture	1,238,787,700	27.78%	27.78%

Description of the parent company of the Company:

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

2. Subsidiaries of the Company

For details of the Company's subsidiaries, please refer to Note IX. 1.

XII Financial Report

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

3. Joint ventures and associates of the Company

For details of material joint ventures and associates of the Company, please refer to Note IX. 3.

Balance of related party transaction between the Company and its joint ventures or associates during the period or prior periods are as follows:

Name of joint ventures or associates	Relation
Weifang Port Wood Chip Terminal Co., Ltd.	A joint venture of the Company
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture of the Company
Weifang Xingxing United Chemical Co., Ltd.	A joint venture of the Company
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Company
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	An associate of the Company
Chenming (Qingdao) Asset Management Co., Ltd.	An associate of the Company
Guangdong Nanyue Bank Co., Ltd.	An associate of the Company
Xuchang Chenming Paper Co., Ltd.	An associate of the Company

4. Other related parties

Name of other related parties	Relation
Shouguang Huixin Construction Materials Co., Ltd.	A subsidiary of a company invested by the Directors and Senior Management of the Company
Lide Technology Co., Ltd.	A subsidiary of a company invested by the Directors and Senior Management of the Company
Shouguang Chenming Guangyuan Real Property Company Limited	A subsidiary of a company invested by the Directors and Senior Management of the Company
Chen Hongguo, Hu Changqing, Li Xingchun, Li Weixian, Li Xueqin, Li Feng, Dong Lianming, Yuan Xikun, Li Zhenzhong, Li Mingtang, Ge Guangming, Li Kang, Qiu Lanju and Sang Ailing	Key management personnel of the Company

XII Financial Report

XIV. 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 Port Wood Chip Terminal Co., Ltd.	Port miscellaneous expenses	78,803,278.24	N/A	No	63,328,942.04

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	16,738,082.47	18,254,341.50
Shouguang Huixin Construction Materials Co., Ltd.	Sales of cement, coal, oil, etc.	141,035.23	190,846.21

(2) Related party leasing

The Company as lessor:

Unit: RMB

Name of lessee	Type of leased asset	Lease income recognised for the current period	Lease income recognised for the previous period
Shouguang Meite Environmental Technology Co., Ltd.	Housing	1,467,889.91	1,467,889.91
Chenming (Qingdao) Asset Management Co., Ltd.	Housing	789,102.99	769,053.72
Lide Technology Co., Ltd.	Housing	1,898,020.91	1,795,618.08
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Land	222,477.07	220,183.49
Shouguang Huixin Construction Materials Co., Ltd.	Land	123,853.21	123,853.21

XII Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Weifang Port Wood Chip Terminal Co., Ltd.	95,600,000.00	2017-12-20	2027-12-20	No
Shouguang Meilun Paper Co., Ltd.	364,394,014.75	2023-6-19	2024-6-19	No
Shouguang Meilun Paper Co., Ltd.	88,180,874.40	2023-6-27	2024-6-27	No
Shouguang Meilun Paper Co., Ltd.	99,947,491.87	2023-7-5	2024-7-5	No
Shouguang Meilun Paper Co., Ltd.	91,760,456.12	2023-7-25	2024-7-25	No
Shouguang Meilun Paper Co., Ltd.	20,000,000.00	2023-8-25	2024-8-24	No
Shouguang Meilun Paper Co., Ltd.	10,000,000.00	2023-2-28	2024-2-27	No
Shouguang Meilun Paper Co., Ltd.	205,066,883.19	2023-7-12	2024-1-9	No
Shouguang Meilun Paper Co., Ltd.	34,000,000.00	2023-7-28	2024-7-27	No
Shouguang Meilun Paper Co., Ltd.	34,967,515.54	2023-8-9	2024-2-6	No
Shouguang Meilun Paper Co., Ltd.	20,000,000.00	2023-8-25	2024-8-23	No
Shouguang Meilun Paper Co., Ltd.	200,000,000.00	2023-4-25	2024-4-24	No
Shouguang Meilun Paper Co., Ltd.	50,000,000.00	2023-7-12	2024-7-12	No
Shouguang Meilun Paper Co., Ltd.	285,000,000.00	2023-12-15	2024-6-12	No
Shouguang Meilun Paper Co., Ltd.	90,000,000.00	2023-10-23	2024-10-23	No
Shouguang Meilun Paper Co., Ltd.	189,952,001.13	2023-12-18	2024-6-17	No
Shouguang Meilun Paper Co., Ltd.	43,000,000.00	2023-12-19	2024-12-18	No
Shouguang Meilun Paper Co., Ltd.	10,000,000.00	2023-12-26	2024-4-10	No
Shouguang Meilun Paper Co., Ltd.	10,000,000.00	2023-12-26	2024-4-10	No
Hainan Chenming Technology Co., Ltd.	50,000,000.00	2023-3-30	2024-3-30	No
Hainan Chenming Technology Co., Ltd.	71,500,000.00	2023-11-28	2024-5-26	No
Hainan Chenming Technology Co., Ltd.	28,500,000.00	2023-11-30	2024-5-28	No
Hainan Chenming Technology Co., Ltd.	43,000,000.00	2023-8-10	2024-2-2	No
Hainan Chenming Technology Co., Ltd.	29,000,000.00	2023-8-16	2024-2-5	No
Hainan Chenming Technology Co., Ltd.	100,000,000.00	2023-9-28	2024-3-27	No
Hainan Chenming Technology Co., Ltd.	100,000,000.00	2023-11-30	2024-5-29	No
Huanggang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2023-5-23	2024-5-22	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2023-4-27	2024-4-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2023-7-18	2024-7-17	No
Huanggang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2023-8-10	2024-8-9	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2023-8-18	2024-8-16	No
Huanggang Chenming Pulp & Paper Co., Ltd.	120,000,000.00	2023-7-12	2024-7-11	No

XII Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee (Continued)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Huanggang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-9-28	2024-9-28	No
Huanggang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-10-13	2024-10-13	No
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	10,000,000.00	2023-8-31	2024-8-30	No
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	10,000,000.00	2023-9-26	2024-9-26	No
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	10,000,000.00	2023-11-13	2024-11-13	No
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	10,000,000.00	2023-11-24	2024-11-22	No
Jilin Chenming Paper Co., Ltd.	18,000,000.00	2023-6-27	2024-5-10	No
Jilin Chenming Paper Co., Ltd.	63,999,300.00	2023-9-14	2024-3-7	No
Jilin Chenming Paper Co., Ltd.	200,000,000.00	2023-12-15	2025-12-15	No
Jilin Chenming Paper Co., Ltd.	63,640,000.00	2023-10-13	2024-4-13	No
Jilin Chenming Paper Co., Ltd.	100,000,000.00	2023-12-29	2024-6-27	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2023-4-20	2024-4-19	No
Jiangxi Chenming Paper Co., Ltd.	160,000,000.00	2023-5-24	2024-5-22	No
Jiangxi Chenming Paper Co., Ltd.	60,000,000.00	2023-5-25	2024-5-22	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2023-6-12	2024-6-7	No
Jiangxi Chenming Paper Co., Ltd.	30,000,000.00	2023-6-13	2024-6-11	No
Jiangxi Chenming Paper Co., Ltd.	80,000,000.00	2023-6-16	2024-6-15	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	2023-6-19	2024-5-22	No
Jiangxi Chenming Paper Co., Ltd.	250,000,000.00	2023-6-19	2024-6-13	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2023-6-20	2024-6-17	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2023-6-21	2024-6-17	No
Jiangxi Chenming Paper Co., Ltd.	17,924,293.14	2023-6-25	2024-6-20	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2023-6-29	2024-6-24	No
Jiangxi Chenming Paper Co., Ltd.	250,000,000.00	2023-6-30	2024-6-28	No
Jiangxi Chenming Paper Co., Ltd.	13,682,900.00	2023-8-16	2024-2-16	No
Jiangxi Chenming Paper Co., Ltd.	8,238,396.39	2023-9-12	2024-3-8	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2023-7-5	2024-7-4	No
Jiangxi Chenming Paper Co., Ltd.	1,636,736.70	2023-8-8	2024-6-20	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2023-9-5	2024-8-30	No
Jiangxi Chenming Paper Co., Ltd.	438,970.16	2023-9-5	2024-6-20	No
Jiangxi Chenming Paper Co., Ltd.	97,400,000.00	2023-9-20	2024-3-18	No
Jiangxi Chenming Paper Co., Ltd.	96,050,000.00	2023-9-20	2024-3-18	No
Jiangxi Chenming Paper Co., Ltd.	12,000,000.00	2023-9-26	2024-3-22	No
Jiangxi Chenming Paper Co., Ltd.	14,000,000.00	2023-12-18	2024-6-14	No
Jiangxi Chenming Paper Co., Ltd.	3,339,000.00	2023-12-25	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2023-9-27	2024-9-20	No

XII Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee (Continued)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Shouguang Chenming Import and Export Trade Co., Ltd.	150,000,000.00	2023-12-21	2024-6-19	No
Shandong Chenming Paper Sales Co., Ltd.	50,000,000.00	2023-1-5	2024-1-2	No
Shandong Chenming Paper Sales Co., Ltd.	50,000,000.00	2023-1-12	2024-1-8	No
Shandong Chenming Paper Sales Co., Ltd.	330,033,668.83	2023-4-6	2024-4-8	No
Shandong Chenming Paper Sales Co., Ltd.	129,933,410.35	2023-4-6	2024-4-8	No
Shandong Chenming Paper Sales Co., Ltd.	150,000,000.00	2023-8-9	2024-2-5	No
Shandong Chenming Paper Sales Co., Ltd.	296,829,334.44	2023-8-14	2024-8-14	No
Shandong Chenming Paper Sales Co., Ltd.	111,125,326.61	2023-9-18	2024-9-18	No
Shandong Chenming Paper Sales Co., Ltd.	54,723,975.97	2023-9-26	2024-9-26	No
Shandong Chenming Paper Sales Co., Ltd.	181,517,502.43	2023-10-7	2024-10-7	No
Shandong Chenming Paper Sales Co., Ltd.	198,262,078.03	2023-10-7	2024-10-7	No
Shandong Chenming Paper Sales Co., Ltd.	50,000,000.00	2023-10-18	2024-10-11	No
Shandong Chenming Paper Sales Co., Ltd.	40,000,000.00	2023-11-28	2024-11-28	No
Shandong Chenming Paper Sales Co., Ltd.	160,000,000.00	2023-12-19	2024-6-17	No
Shandong Chenming Paper Sales Co., Ltd.	260,000,000.00	2023-12-19	2024-6-17	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2023-5-29	2024-5-25	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	50,000,000.00	2023-8-24	2024-2-23	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	4,500,000.00	2023-11-21	2024-11-20	No
Kunshan Tuoan Plastic Products Co., Ltd	20,000,000.00	2023-2-27	2024-2-26	No
Kunshan Tuoan Plastic Products Co., Ltd	5,000,000.00	2023-9-8	2024-2-26	No
Kunshan Tuoan Plastic Products Co., Ltd	10,000,000.00	2023-8-9	2024-2-9	No
Kunshan Tuoan Plastic Products Co., Ltd	5,000,000.00	2023-9-27	2024-3-26	No
Kunshan Tuoan Plastic Products Co., Ltd	5,000,000.00	2023-9-27	2024-9-26	No
Chenming (HK) Limited	15,480,000.00	2023-12-7	2024-2-2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	21,000,000.00	2023-1-16	2024-1-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15,000,000.00	2023-1-20	2024-1-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14,000,000.00	2023-1-30	2024-1-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	2023-2-23	2024-3-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2023-2-23	2024-3-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-3-23	2024-3-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	68,000,000.00	2023-4-24	2024-4-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	72,000,000.00	2023-4-21	2024-4-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	74,500,000.00	2023-5-25	2024-5-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	209,000,000.00	2023-6-8	2024-5-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-6-25	2024-6-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	81,200,000.00	2023-6-19	2024-6-19	No

XII Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee (Continued)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2023-6-21	2024-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2023-7-14	2024-1-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2023-7-19	2024-1-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-7-20	2024-1-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2023-7-19	2024-1-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2023-7-21	2024-7-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2023-7-24	2024-7-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-7-28	2024-7-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2023-7-26	2024-1-22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-8-8	2024-8-7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-8-11	2024-8-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	3,900,000.00	2023-8-11	2024-8-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2023-8-14	2024-8-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	59,000,000.00	2023-8-14	2024-8-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-8-24	2024-8-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-9-27	2024-9-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	6,000,000.00	2023-9-27	2024-3-5	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,500,000.00	2023-9-27	2024-3-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2023-10-11	2024-4-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	78,000,000.00	2023-10-11	2024-10-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	113,000,000.00	2023-10-12	2024-10-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2023-11-10	2024-4-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	98,700,000.00	2023-11-17	2024-5-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-11-21	2024-5-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2023-11-28	2024-5-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	85,500,000.00	2023-11-29	2024-11-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,290,000.00	2023-11-29	2024-5-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	6,000,000.00	2023-12-4	2024-11-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	6,000,000.00	2023-12-8	2024-6-5	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-12-9	2024-12-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2023-12-19	2024-6-18	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,290,000.00	2023-12-11	2024-4-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2023-7-12	2024-1-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	85,000,000.00	2023-7-17	2024-1-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,500,000.00	2023-7-24	2024-1-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2023-8-7	2024-2-7	No

XII Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(3) Related party guarantee (Continued)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	186,000,000.00	2023-9-27	2024-3-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	39,600,000.00	2023-10-7	2024-4-7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-10-12	2024-4-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	98,000,000.00	2023-10-13	2024-4-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,200,000.00	2023-11-23	2024-5-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2023-11-24	2024-5-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2023-11-23	2024-5-23	No
Jiangxi Chenming Paper Co., Ltd.	30,000,000.00	2023-9-8	2026-8-22	No
Jiangxi Chenming Paper Co., Ltd.	29,450,000.00	2023-3-31	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	31,350,000.00	2023-3-31	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	2,422,500.00	2023-5-9	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	5,300,000.00	2023-6-27	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	3,359,000.00	2023-8-7	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	20,988,806.62	2022-7-1	2024-7-1	No
Jiangxi Chenming Paper Co., Ltd.	30,000,000.00	2023-12-4	2025-6-3	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	9,750,000.00	2023-2-13	2026-2-12	No
Kunshan Tuoan Plastic Products Co., Ltd	10,000,000.00	2023-9-27	2024-10-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	98,000,000.00	2021-1-5	2024-1-4	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	85,000,000.00	2022-5-31	2024-5-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2022-6-17	2024-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2022-6-17	2024-12-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	120,000,000.00	2022-6-17	2025-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	42,300,000.00	2022-10-25	2024-10-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	33,900,000.00	2023-12-26	2025-1-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	104,316,080.98	2022-6-29	2025-6-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	77,000,000.00	2023-3-31	2026-3-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	150,000,000.00	2023-6-2	2026-6-2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	84,770,798.65	2023-6-20	2026-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	300,000,000.00	2023-7-12	2026-7-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2023-11-8	2028-11-8	No
Total	12,524,711,316.30			

XII Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(4) Related party lending and borrowing

Unit: RMB

Related party	Borrowing amount	Commencement date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	364,700,000.00	2023-1-1	2023-12-31	Controlling shareholder
Guangdong Nanyue Bank Co., Ltd.	2,069,060,000.00	2023-1-1	2023-12-31	Associate

(5) Remuneration of key management staff

The Company has 23 key management staff for the period and 24 for the prior period. The remuneration payment is as follows:

Unit: RMB'0,000

Item	Amount during the period	Amount during the prior period
Remuneration of key management staff	2,361.67	2,752.06

① Distribution band of remuneration of key management staff

Band of annual remuneration	Amount during the year (RMB'0,000)	Amount during the prior year (RMB'0,000)
Total	2,361.67	2,752.06
Of which: (number of staff in each band of amount)		
RMB4.80-5.20 million		1
RMB4.00-4.80 million	1	
RMB3.60-4.00 million		1
RMB3.20-3.60 million		
RMB2.80-3.20 million	1	
RMB2.40-2.80 million		1
RMB2.00-2.40 million	2	1
RMB1.60-2.00 million	1	5
RMB1.20-1.60 million	4	1
RMB0.80-1.20 million	2	
Below RMB0.80 million	12	14

XII Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Remuneration of key management staff (Continued)

② Breakdown of remuneration of key management staff

Key management staff	Fees	Bonuses	Amount during the year (RMB'0,000)				Total (RMB'0,000)
			Salaries, allowances and benefits	Social insurance	Social welfare contribution Of which: Pension insurance	Housing fund	
Yin Meiqun			20.00				20.00
Yang Biao			20.00				20.00
Sun Jianfei			20.00				20.00
Li Zhihui			20.00				20.00
Subtotal of independent non-executive Directors			80.00				80.00
Li Chuanxuan			20.00				20.00
Han Tingde			20.00				20.00
Subtotal of non-executive Directors			40.00				40.00
Chen Hongguo			308.90	6.93	4.42	1.59	317.42
Hu Changqing			188.78	9.93	6.04	2.54	201.25
Li Xingchun			420.00				420.00
Li Feng			135.86	6.93	4.42	1.59	144.38
Li Weixian			216.56	11.32	6.79	5.08	232.96
Subtotal of executive Directors			1,270.10	35.11	21.67	10.80	1,316.01
Li Kang			75.78	6.93	4.42	1.59	84.30
Pan Ailing			10.00				10.00
Zhang Hong			10.00				10.00
Qiu Lanju			66.95	6.46	4.07	1.62	75.03
Sang Ailing			17.60	3.64	2.27	0.85	22.09
Total of Supervisors			180.33	17.03	10.76	4.06	201.42
Subtotal of other Senior Management members			674.44	40.17	25.47	9.63	724.24
Total			2,244.87	92.31	57.90	24.49	2,361.67

XII Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Remuneration of key management staff (Continued)

② Breakdown of remuneration of key management staff (Continued)

Key management staff	Fees	Bonuses	Amount during the year (RMB'0,000)				Total (RMB'0,000)
			Salaries, allowances and benefits	Social insurance	Of which: Pension insurance	Housing fund	
Yin Meiqun			20.00				20.00
Yang Biao			20.00				20.00
Sun Jianfei			20.00				20.00
Li Zhihui			10.00				10.00
Subtotal of independent non-executive Directors			70.00				70.00
Li Chuanxuan			20.00				20.00
Han Tingde			20.00				20.00
Subtotal of non-executive Directors			40.00				40.00
Chen Hongguo			352.24	6.22	3.95	1.53	359.99
Hu Changqing			216.85	6.22	3.95	1.58	224.65
Li Xingchun			480.00				480.00
Li Feng			187.28	6.22	3.95	1.53	195.03
Li Weixian			240.81	10.54	6.26	4.69	256.04
Subtotal of executive Directors			1,477.18	29.20	18.11	9.33	1,515.71
Li Kang			59.20	6.23	3.95	1.53	66.96
Pan Ailing			10.00				10.00
Zhang Hong			10.00				10.00
Qiu Lanju			54.86	6.16	3.82	1.53	62.55
Sang Ailing			18.00	3.65	2.28	0.85	22.50
Total of Supervisors			152.06	16.04	10.05	3.91	172.01
Subtotal of other Senior Management			904.93	39.61	24.88	9.80	954.34
Total			2,644.17	84.85	53.04	23.04	2,752.06

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

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Remuneration of key management staff (Continued)

- ③ The 5 highest paid individuals of the Company during the year included 4 directors of the Company and 1 other senior management personnel. The remuneration range of 1 senior management personnel was RMB1.6 million to RMB2 million, with an annual salary of RMB1.6967 million, social insurance of RMB64,600 (including pension insurance of RMB40,700), and housing provident fund of RMB16,200.

A. Remuneration of the five highest paid individuals

Item	Amounts during the period	Amounts during the prior year
Salaries, allowances and benefits	1,295.83	1,477.18
Housing provident fund	10.83	9.33
Social welfare contribution	34.64	29.20
Of which: Pension insurance	21.32	18.11
Total	1,341.30	1,515.71

B. Distribution band of remuneration of the five highest paid individuals

Band of annual remuneration	Number of individuals during the year	Number of individuals during the prior year
RMB4.80-5.20 million		1
RMB4.00-4.80 million	1	
RMB3.20-3.60 million		1
RMB2.80-3.20 million	1	
RMB2.40-2.80 million		1
RMB2.00-2.40 million	2	1
RMB1.60-2.00 million	1	1
RMB1.20-1.60 million		

- ④ For the financial year ended 31 December 2023, 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 Financial Report

XIV. Related parties and related party transactions (Continued)

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.			1,856,833.50	1,392.06
Accounts receivable	Shouguang Meite Environmental Technology Co., Ltd.			6,782,462.48	1,774,117.95
Accounts receivable	Chenming (Qingdao) Asset Management Co., Ltd.	2,359.03	23.18		
Other receivables	Weifang Port Wood Chip Terminal Co., Ltd.	75,554,749.84	8,991,998.46	71,722,249.85	3,755,227.15
Other receivables	Shouguang Meite Environmental Technology Co., Ltd.	10,427,200.00	2,102,653.38	18,291,242.68	1,779,523.20
Other receivables	Xuchang Chenming Paper Co., Ltd.			327,400.00	6,791.28
Other receivables	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	227,252,701.60			
Payments in advance	Shouguang Meite Environmental Technology Co., Ltd.			6,370,726.99	

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Weifang Port Wood Chip Terminal Co., Ltd.	6,932,747.45	19,479,518.82
Accounts payable	Shouguang Meite Environmental Technology Co., Ltd.	12,973,303.12	
Accounts payable	Weifang Xingxing United Chemical Co., Ltd.	26,905,494.34	26,905,494.34
Accounts payable	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	14,334,304.63	
Accounts payable	Wuhan Chenming Qianneng Electric Power Co., Ltd.	72,483.77	
Other payables	Weifang Xingxing United Chemical Co., Ltd.	16,860,000.00	16,860,000.00
Other payables	Chenming Holdings Co., Ltd.	135,612,917.24	
Other payables	Lide Technology Co., Ltd.	559,897.05	508,619.46
Other payables	Chenming (Qingdao) Asset Management Co., Ltd.	115,583.42	116,656.55
Other payables	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	305,000,000.00	
Contract liabilities	Shouguang Huixin Construction Materials Co., Ltd.		20,000.00
Payments in advance	Chenming (Qingdao) Asset Management Co., Ltd.		2,000.00

XII Financial Report

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

6. Related party accounts receivable and accounts payable *(Continued)*

(3) Deposits with related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Bank deposit	Guangdong Nanyue Bank Co., Ltd.	7,189,314.62	10,069,515.51
Other monetary funds	Guangdong Nanyue Bank Co., Ltd.	1,311,200,000.00	927,400,000.00

(4) Loans from related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	2,069,060,000.00	1,909,100,000.00

XII Financial Report

XV. Share-based Payment

1. General information of share-based payment

Applicable Not applicable

Unit: RMB

Grant Item Category	Granted during the period		Exercised during the period		Unlocked during the period		Lapsed during the period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Management							22,645,800.00	22,645,800.00
Total							22,645,800.00	22,645,800.00

Share options or other equity instruments outstanding at the end of the period.

Applicable Not applicable

Grant Item Category	Share options outstanding at the end of the period		Other equity instruments issued at the end of the period	
	Range of exercise prices	Remaining duration of the contract	Range of exercise prices	Remaining duration of the contract
Management			-	Restricted shares eligible for the first release period of the 2020 A Share Restricted Share Incentive Plan were unlocked in July 2022, the conditions for the release of restricted shares for the second release period were not fulfilled, and the procedure was carried out to consider the repurchase of the registrations in July 2023, and the time for the third release period was July 2025.

Other explanation:

- The Company held the ninth extraordinary meeting of the ninth session of the Board of Directors on 30 March 2020, and on 15 May 2020, the Company convened the second extraordinary shareholders' meeting for 2020, the first shareholders' meeting for 2020 for the domestic listed share class and the first shareholders' meeting for 2020 for the overseas listed share class, at which matters relating to the Company's 2020 Restricted A Share Incentive Scheme were considered and approved. Matters relating to the Company's 2020 Restricted A Share Incentive Scheme were considered and approved, and 79,600,000 A Restricted Shares were granted to 111 incentive objects at a grant price of RMB2.85 per share on 29 May 2020.
- On 15 July 2020, 79,600,000 A Restricted Shares granted to the incentive objects were issued and listed.
- On 18 July 2022, the Company convened the Second Interim Meeting of the Tenth Session of the Board of Directors and the First Interim Meeting of the Tenth Session of the Supervisory Board, at which the Company considered and approved the "Resolution on the Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares.", the number of the target group for the unlocking of the restricted shares is 96, and the number of shares available for unlocking is 29,948,000

XV. Share-based Payment (Continued)

1. General information of share-based payment (Continued)

On 27 July 2022, 29,948,000 A shares of restricted shares released from restricted sale were listed for trading. On 18 October 2022, the Company completed the repurchase and cancellation procedures of 4,466,000 A shares of restricted shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

4. On 17 July 2023, the Company convened the Ninth Interim Meeting of the Tenth Session of the Board of Directors and the Fifth Interim Meeting of the Tenth Session of the Supervisory Board and considered and passed the "Resolution Regarding the Failure to Achieve the Conditions for Unlocking the Restricted Shares during the Second Unlocking Period of the Restricted Share Incentive Scheme for 2020A Shares and the Repurchase and Registration of Part of the Restricted Shares", which was approved by the Board of Directors and the Supervisory Board of the Company. At the same time, 5 incentive objects were disqualified from incentive status due to their departure from the Company. The Board of Directors of the Company repurchased 22,929,000 A-share restricted shares which had been granted to the registered incentive targets but had not been released from restriction on sale, at a repurchase price of RMB2.5184172/share (exclusive of the interest rate of the bank's loan for the same period). On 20 November 2023, the Company completed the repurchase and cancellation procedures of 22,929,000 A-share restricted shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

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
The significant parameters of determining the fair value of equity instrument on the grant date	
Basis for determining the quantity of exercisable equity instruments	See explanation for details
Reasons for significant difference between the current estimate and previous estimate	
Accumulated amount of equity-settled share-based payment included in the capital reserve	58,698,080.00
Total amount of equity-settled share-based payment recognised in the current period	-27,467,521.92

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.

3. Share-based payment expense for the period

Unit: RMB

Category of items granted	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Management	-27,467,521.92	
Total	-27,467,521.92	

XII Financial Report

XVI. Undertaking and contingency

1. Significant commitments

(1) Capital commitments

Unit: RMB

Capital commitments contracted for but not yet necessary to be recognised on the balance sheet	Closing balance	Balance as at the end of the prior year
Commitments in relation to acquisition and construction of long-term assets	288,776,312.58	184,833,000.27

(2) Other commitments

As at 31 December 2023, the Company has no other commitments that should be disclosed.

2. Contingency

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

As at 31 December 2023, the Company had no contingent items such as outstanding litigation and external guarantees that should be disclosed.

(2) Contingent liabilities arising from debt guarantees given in favour of other entities and their financial effects

As at 31 December 2023, the Company has no contingent liabilities arising from debt guarantees provided to other entities.

(3) Other contingent liabilities (excluding contingent liabilities that are highly unlikely to result in an outflow of economic benefits to the enterprise)

As at 31 December 2023, the Company has no other contingencies that should be disclosed.

XVII. Post-balance sheet event

Description of significant non-adjustments to post-balance sheet event

Item	Description	Effect on financial position and results of operations
Transfer of an Associate	Disposal of Goldtrust Futures Co., Ltd.	The consideration for this transaction was RMB197,000,000, with a carrying value of RMB187,780,000 as at the balance sheet date, which is expected to generate an investment income of approximately RMB9,220,000.
Transfer of a subsidiary	Disposal of Kunshan Tuoan Plastic Products Co., Ltd.	The consideration for this transaction was RMB143.73 million, and the carrying value of the asset group containing goodwill at the balance sheet date was RMB141.48 million, resulting in an investment gain of approximately RMB9.12 million

XVIII. Other Material Matters

1. Transfer and Disposal of Significant Assets

In order to further optimise the asset structure, revitalise inefficient assets, improve asset utilisation efficiency, expedite capital recovery, increase cash inflow, focus on the main business of pulping and paper making, and enhance the Company's profitability, the Company externally transferred its 65.21% equity interest in Wuhan Chenming Hanyang Paper Company Limited (corresponding to 137,822,000 shares) for RMB480.0 million during the period, resulting in an investment gain of RMB391.45 million.

2. Segment information

(1) Basis for determination and accounting policies

According to the Company's internal organisational structure, management requirements and internal reporting system, the Company's operating business is divided into 4 reporting segments. These report segments are determined based on the financial information required by the company's daily internal management. The management of the Group regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The Company's reporting segments include:

- (1) Machine paper segment, which is responsible for production and sales of machine paper;
- (2) Financial services segment, which provides financial services;
- (3) Hotels and property rentals segment, which is responsible for hotel services and property rental;
- (4) Other segments, which is responsible for the above segments otherwise.

The transfer prices of the transfer transactions between the Company's segments are based on market prices.

Segment report information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. These accounting policies and measurement basis are consistent with the accounting policies and measurement basis used in preparing the financial statements.

XII Financial Report

XVIII. Other Material Matters (Continued)

2. Segment information (Continued)

(2) Financial Information of Reporting Segment

Unit: RMB

Current period or end of current period	Machine-made paper	Financial services	Hotels and property rentals	Others	Offset	Total
Revenue	26,058,035,388.40	301,292,707.38	254,837,443.63	1,219,004,554.91	1,224,599,866.12	26,608,570,228.20
Of which: Revenue from external transactions	25,702,327,302.60	164,338,689.66	219,640,822.73	522,263,413.21		26,608,570,228.20
Revenue from inter-segment transactions	355,708,085.80	136,954,017.72	35,196,620.90	696,741,141.70	1,224,599,866.12	
Of which: Revenue from principal activities	25,788,767,491.17	301,198,367.76	243,565,800.51	849,762,727.46	814,661,161.42	26,368,633,225.48
Operating costs	24,386,288,002.52	204,302,382.76	130,727,028.36	1,168,316,010.65	1,444,147,124.36	24,445,486,299.93
Of which: Costs of principal activities	23,814,132,560.42	204,302,382.76	122,251,073.59	794,535,943.46	693,752,622.08	24,241,469,338.15
Operating expenses	200,500,812.07	145,808.06	23,056,705.85	7,298,824.54	2,513.09	230,999,637.43
Of which: Wages	96,356,812.71	72,901.73	8,678,304.12	2,861,300.98		107,969,319.54
Depreciation expenses	1,512,250.48		3,152,288.23	12,696.87		4,677,235.58
Office expenses	2,423,476.31		312,114.69	2,058.20		2,737,649.20
Travel expenses	27,622,492.10	12,886.33	401,223.13	595,230.03		28,631,831.59
Selling commissions	806,731.10		5,681,138.21			6,487,869.31
Rental expenses	7,258,810.13			84,716.99		7,343,527.12
Hospitality expenses	49,883,644.70	60,020.00	8,206.24	1,046,790.23		50,998,661.17
Warehouse expenses				411,253.96		411,253.96
Others	14,636,594.54		4,823,431.23	2,284,777.28	2,513.09	21,742,289.96
Operating profit/(loss)	-1,160,171,360.20	-136,565,046.01	-155,575,612.67	-77,629,857.27	163,702,443.40	-1,693,644,319.55
Total assets	86,100,280,962.71	22,071,239,021.47	9,506,827,255.33	8,256,043,256.86	46,447,337,542.79	79,487,052,953.58
Total liabilities	64,520,459,199.32	4,546,731,289.22	4,386,780,705.48	2,745,589,649.10	17,810,363,735.17	58,389,197,107.95
Total cost of construction in progress incurred						
for the current period	475,949,831.35			2,547,924.54		478,497,755.89
Fixed assets purchased	295,923,899.03		273,136.94	2,265,531.65	5,638,663.73	292,823,903.89
Intangible assets purchased	148,906,631.36	1,278,301.89				150,184,933.25

XII Financial Report

XVIII. Other Material Matters (Continued)

2. Segment information (Continued)

(2) Financial Information of Reporting Segment (Continued)

Current period or end of current period	Machine-made paper	Financial services	Hotels and property rentals	Others	Offset	Total
Revenue	31,060,902,199.96	513,737,457.49	407,708,595.77	1,078,425,733.98	1,056,406,666.29	32,004,367,320.91
Of which: Revenue from external transactions	30,831,898,263.48	209,378,132.90	252,786,565.21	710,304,359.32		32,004,367,320.91
Revenue from inter-segment transactions	229,003,936.50	304,359,324.59	154,922,030.55	368,121,374.65	1,056,406,666.29	
Of which: Revenue from principal activities	30,351,334,966.47	510,812,929.20	392,942,305.38	1,040,599,028.05	870,572,371.27	31,425,116,857.83
Operating costs	26,519,303,991.97	24,127,622.19	245,767,473.54	981,659,808.74	397,133,189.44	27,373,725,707.00
Of which: Costs of principal activities	26,141,672,045.97	24,127,622.19	243,578,769.09	928,299,382.58	458,734,170.55	26,878,943,649.28
Operating expenses	330,862,031.95	2,027,775.3	20,781,250.46	7,378,140.91	118,867,924.53	242,181,274.09
Of which: Wages	111,959,367.65	1,083,950.72	5,011,031.36	2,800,806.56		120,855,156.29
Depreciation expenses	2,762,233.83	21,086.38	3,726,869.93	14,404.51		6,524,594.65
Office expenses	2,457,473.42	109.34	7,972.90	312.00		2,465,867.66
Travel expenses	20,739,647.05	293,464.76	22,399.36	459,110.48		21,514,621.65
Selling commissions	5,186,161.75		5,719,346.53	665,906.33		11,571,414.61
Rental expenses	5,963,156.39			85,032.11		6,048,188.50
Hospitality expenses	53,909,040.66	629,164.1	45,498	728,750.29		55,312,453.05
Warehouse expenses	110,697.41			558,856.77		669,554.18
Others	127,774,253.79		6,248,132.38	2,064,961.86	118,867,924.53	17,219,423.50
Operating profit/(loss)	185,030,101.36	177,059,466.81	-50,760,342.83	-8,455,442.51	146,655,118.87	156,218,663.96
Total assets	93,381,574,480.43	19,836,405,559.58	7,691,848,679.66	9,918,047,942.60	46,526,859,252.65	84,301,017,409.62
Total liabilities	68,282,718,766.38	6,492,021,313.81	3,712,424,442.27	3,442,492,189.85	21,356,893,123.30	60,572,763,589.01
Total cost of construction in progress incurred						
for the current period	773,725,786.03			499,590.09		774,225,376.12
Fixed assets purchased	150,507,691.34	96,748.87	173,040.68	3,589,925.25		154,367,406.14
Intangible assets purchased	307,004,863.50			578,112.98		307,582,976.48

XVIII. Other Material Matters (Continued)

3. Others

- (1) CHENMING HOLDINGS (HONG KONG) LIMITED (hereinafter referred to as “Hong Kong Chenming Holdings”), a wholly-owned subsidiary of Chenming Holdings Company Limited (hereinafter referred to as “Chenming Holdings S”), has commenced an equity financing business with three overseas organisations (hereinafter referred to as “Lenders”) in order to meet its own funding needs. In order to satisfy its funding needs, Hong Kong Chenming Holdings has commenced equity financing business with three overseas organisations (hereinafter referred to as the “Lenders”). Hong Kong Chenming Holdings deposited 210.72 million B shares (representing 7.07% of the total share capital of the Company) and 153.41 million H shares (representing 5.15% of the total share capital of the Company) held by Hong Kong Chenming Holdings with custodian designated by the Lenders, who provided the loan to Hong Kong Chenming Holdings/

After repaying the entire loan from one of the Lenders, Hong Kong Chenming Holdings requested for the return of the shares, but the lender refused to co-operate in the return of the 110 million B shares and 95 million H shares on the grounds that there had been a breach of contract of default during the life of the loan. Chenming Hong Kong Holdings verified the custody of the shares with the other two lenders who have not yet fully repaid the loans, and the lenders have not yet provided the required documentary proof of the safe custody of the shares.

After the Lender refused to return the Shares and failure in negotiation, Chenming Holdings is of the view that there is a risk of improper infringement on the legitimate rights and interests of Hong Kong Chenming Holdings, and it immediately sought help from the Chinese public security bureau and Hong Kong lawyers to collect effective evidence. As of the date of this announcement, Chenming Holdings is under normal production and operation, and is actively safeguarding its legitimate rights and interests through legal channels.

There is a risk that the shares involved may not be returned, which may result in a decrease in the percentage of shareholding of Chenming Holdings in the Company, but will have no impact on the status of Chenming Holdings as the largest shareholder and will have no impact on the control of the Company.

- (2) On 14 June 2022, the Hong Kong Court of Final Appeal handed down its judgment in the case of H-share liquidation filed by ArjowigginsHKK2Limited (“HKK2 Company”) in relation to the Company’s Joint Venture dispute and the Company has paid the relevant amount of compensation.

On 25 October 2022, the Company instructed its legal adviser in Hong Kong to apply to the Court of First Instance to seek the dismissal or adjournment of the winding-up petition filed by HKK2 against the Company. On 25 July 2023, the Court of First Instance held a hearing on the said application.

On 10 August 2023, the Company received a judgment from the judge of the Court of First Instance, Mr. Justice Harris, which ruled that the winding-up petition be stayed and the relevant arbitration hearing will take place in May 2024, given that the Company’s arbitration petition filed in the Hong Kong International Arbitration Centre in June 2022 against the Joint Venture Contracts formed the basis of the Company’s cross claim against HKK2 in the winding-up proceedings.

XII Financial Report

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

1. Accounts receivable

(1) Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	18,345,187.32	136,390,102.96
1 to 2 years	11,500,000.00	
2 to 3 years		
Over 3 years	3,002,821.17	3,002,821.17
Total	32,848,008.49	139,392,924.13

(2) Disclosure by bad debt provision method

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage (%)	Amount	Bad debts provision Provision percentage (%)	Carrying amount	Amount	Percentage	Amount	Bad debts provision Provision percentage (%)	Carrying amount
Accounts receivable assessed individually for bad debt provision										
Accounts receivable assessed collectively for bad debt provision	32,848,008.49	100.00	4,631,237.48	14.10	28,216,771.01	139,392,924.13	100.00	4,637,396.40	3.33	134,755,527.73
Of which:										
Due from related party customers	10,453,076.75	31.82			10,453,076.75	101,246,295.74	72.63			101,246,295.74
Due from non-related party customers	22,394,931.74	68.18	4,631,237.48	20.68	17,763,694.26	38,146,628.39	27.37	4,637,396.40	12.16	33,509,231.99
Total	32,848,008.49	100.00	4,631,237.48	14.10	28,216,771.01	139,392,924.13	100.00	4,637,396.40	3.33	134,755,527.73

XII Financial Report

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

1. Accounts receivable (Continued)

(2) Disclosure by bad debt provision method (Continued)

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

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage (%)
Within 1 year	453,076.75		
1 to 2 years	10,000,000.00		
Total	10,453,076.75		—

Items assessed collectively for bad debt provision: Receivables from non-related party customer

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage (%)
Within 1 year	17,892,110.57	128,416.31	0.72
1 to 2 years	1,500,000.00	1,500,000.00	100.00
2 to 3 years			
Over 3 years	3,002,821.17	3,002,821.17	100.00
Total	22,394,931.74	4,631,237.48	20.68

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs:

Applicable Not applicable

XII Financial Report

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

1. Accounts receivable (Continued)

(3) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision	4,637,396.40	274,431.92	280,590.84			4,631,237.48
Total	4,637,396.40	274,431.92	280,590.84			4,631,237.48

(4) Top five accounts receivable and contract assets based on closing balance of debtors

The total amount of top five accounts receivable and contract assets based on closing balance of debtors for the period amounted to RMB32,584,552.66 in total, accounting for 99.19% of the total closing balance of accounts receivable and contract assets. The closing balance of the corresponding bad debt provision amounted to RMB4,546,562.13 in total.

Unit: RMB

Name of entity	Closing balance of accounts receivable	Percentage to total closing balance of accounts receivable (%)	Closing balance of bad debt provision of accounts receivable
Customer 1	12,119,163.23	36.89	84,834.14
Customer 2	10,000,000.00	30.44	
Customer 3	5,589,712.68	17.02	39,127.99
Customer 4	4,422,600.00	13.46	4,422,600.00
Customer 5	453,076.75	1.38	
Total	32,584,552.66	99.19	4,546,562.13

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	9,237,241,240.86	9,337,019,470.13
Total	9,237,241,240.86	9,337,019,470.13

XII Financial Report

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

2. Other receivables (Continued)

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	9,304,134,372.16	9,391,199,670.38
Guarantee deposit and deposit	740,000.00	850,000.00
Reserve and borrowings	22,523,648.60	15,112,113.60
Others	1,793,548.63	13,027,863.16
Sub-total	9,329,191,569.39	9,420,189,647.14
Bad debt provision	91,950,328.53	83,170,177.01
Total	9,237,241,240.86	9,337,019,470.13

2) Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year	9,165,796,778.41	9,332,813,880.83
1 to 2 years	76,289,024.67	7,536,768.10
2 to 3 years	7,386,768.10	4,626,771.34
Over 3 years	79,718,998.21	75,212,226.87
Sub-total	9,329,191,569.39	9,420,189,647.14
Less: bad debt provision	91,950,328.53	83,170,177.01
Total	9,237,241,240.86	9,337,019,470.13

3) Particulars of bad debt provision

Unit: RMB

Category	Book balance	ECL rate (%) for the next 12 months	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed					
collectively	9,279,097,598.72	0.45	41,856,357.86	9,237,241,240.86	
Amount due from government agencies	14,571,387.14	99.61	14,513,987.39	57,399.75	
Amount due from related parties	8,842,259,445.82	0.10	8,991,998.46	8,833,267,447.36	
Other receivables	422,266,765.76	4.35	18,350,372.01	403,916,393.75	
Total	9,279,097,598.72	0.45	41,856,357.86	9,237,241,240.86	

XII Financial Report

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

2. Other receivables (Continued)

(1) Other receivables (Continued)

3) Particulars of bad debt provision (Continued)

Closing bad debt provision at phase 2:

As at the end of the period, the Company had no interest receivable, dividend receivable and other receivables at phase 2.

Closing bad debt provision at phase 3:

Unit: RMB

Category	Book balance	Lifetime ECL rate (%)	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed individually	50,093,970.67	100.00	50,093,970.67	0.00	
Total	50,093,970.67	100.00	50,093,970.67	0.00	

Bad debt provision assessed individually:

Unit: RMB

Category	Book balance	Lifetime ECL rate (%)	Bad debt provision	Carrying amount	Reason
Valtra Inc. of Finland	5,526,048.24	100.00	5,526,048.24	0.00	Overdue for a prolonged period and unlikely to be recovered
Metso Paper Machinery (China) Co., Ltd.	4,725,039.89	100.00	4,725,039.89	0.00	Overdue for a prolonged period and unlikely to be recovered
78 entities including Andritz	39,842,882.54	100.00	39,842,882.54	0.00	Overdue for a prolonged period and unlikely to be recovered
Total	50,093,970.67	100.00	50,093,970.67	0.00	

XII Financial Report

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

2. Other receivables (Continued)

(1) Other receivables (Continued)

3) Particulars of bad debt provision (Continued)

Provision for bad debts made on a general model of ECL:

Unit: RMB

Bad debts provision	Stage 1	Stage 2	Stage 3	Total
	ECLs for the next 12 months	Lifetime ECLs (not credit-impaired)	Lifetime ECLs (credit-impaired)	
Balance as at 1 January 2023	34,208,745.74		48,961,431.27	83,170,177.01
Balance as at 1 January 2023 for the period				
– Transferred to stage 2				
– Transferred to stage 3				
– Reversed to stage 2				
– Reversed to stage 1				
Provision for the period	7,647,612.12		1,132,539.40	8,780,151.52
Reversal for the period				
Transfer for the period				
Write-off for the period				
Other changes				
Balance as at 31 December 2023	41,856,357.86		50,093,970.67	91,950,328.53

Changes in carrying book balances with significant changes in loss provision for the period

Applicable Not applicable

4) 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 or Write-off	Others	
Bad debt provision	83,170,177.01	8,780,151.52				91,950,328.53
Total	83,170,177.01	8,780,151.52				91,950,328.53

XII Financial Report

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

2. Other receivables (Continued)

(1) Other receivables (Continued)

5) Top five accounts receivable based on closing balance of debtors

The total amount of top five other receivables based on closing balance of debtors for the period amounted to RMB5,633,038,306.52 in total, accounting for 60.38% of the total closing balance of other receivables. The closing balance of the corresponding bad debt provision amounted to RMB0.00 in total.

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage to total closing balance of other receivables (%)	Closing balance of bad debt provision
Customer 1	Open credit	1,298,000,000.00	Within 1 year	13.91	
Customer 2	Open credit	1,319,906,791.36	Within 1 year	14.15	
Customer 3	Open credit	1,087,487,475.00	Within 1 year	11.66	
Customer 4	Open credit	1,032,000,000.00	Within 1 year	11.06	
Customer 5	Open credit	895,644,040.16	Within 1 year	9.60	
Total	—	5,633,038,306.52	—	60.38	

3. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance		Opening balance		Book value
		Impairment provision	Book value	Impairment provision	Book value	
Investment in subsidiaries	17,898,687,687.22		17,898,687,687.22	18,502,944,740.81		18,502,944,740.81
Investment in joint ventures	86,542,364.15		86,542,364.15	82,741,230.15		82,741,230.15
Investment in associates	319,764,325.10	5,994,545.96	313,769,779.14	246,471,611.33	5,994,545.96	240,477,065.37
Total	18,304,994,376.47	5,994,545.96	18,298,999,830.51	18,832,157,582.29	5,994,545.96	18,826,163,036.33

XII Financial Report

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

3. Long-term equity investments (Continued)

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (Book value)	Opening balance of impairment provision	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.	2,350,000,000.00					2,350,000,000.00	
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	
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		200,000,000.00			280,500,000.00	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,137,500,000.00		68,750,000.00			5,206,250,000.00	
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		200,000,000.00			4,649,441,979.31	
Shouguang Shun Da Customs Declaration Co., Ltd.	1,500,000.00					1,500,000.00	
Shandong Chenming Paper Sales Co., Ltd.	762,641,208.20			762,641,208.20			
Shouguang Chenming Import and Export Trade Co., Ltd.	250,000,000.00					250,000,000.00	
Shouguang Chenming Papermaking Machine Co., Ltd.	2,000,000.00					2,000,000.00	
Shouguang Hongxiang Printing and Packaging Co., Ltd.	3,730,000.00					3,730,000.00	
Shandong Chenming Group Finance Co., Ltd.	4,000,000,000.00					4,000,000,000.00	
Chenming Arboriculture Co., Ltd.	45,000,000.00					45,000,000.00	
Chenming Paper United States Co., Ltd.	6,407,800.00					6,407,800.00	
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	592,500,340.53			32,778,016.57		559,722,323.96	
Weifang Chendu Equity Investment Partnership (Limited Partnership)	241,387,503.76			13,094,618.61		228,292,885.15	
Total	18,502,944,740.81		468,750,000.00	1,073,007,053.59		17,898,687,687.22	

XII Financial Report

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

3. Long-term equity investments (Continued)

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Opening balance (book value)	Opening balance of impairment provision	Additional contribution	Withdrawn contribution	Change for the period			Distribution of cash dividend or profit declared	Impairment provision	Others	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					
I. Joint Ventures												
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	36,776,710.91				487,093.45			10,000,000.00			27,263,804.36	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	197,218,318.77				90,910,511.36			10,000,000.00			278,128,830.13	
Chenming (Qingdao) Asset Management Co., Ltd.	6,482,035.69				1,895,108.96						8,377,144.65	
Xuchang Chenming Paper Co., Ltd.		5,994,545.96										5,994,545.96
Subtotal	240,477,065.37	5,994,545.96			93,292,713.77			20,000,000.00			313,769,779.14	5,994,545.96
II. Associates												
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	7,892,659.42				2,107,624.17			2,600,000.00			7,400,283.59	
Weifang Port Wood Chip Terminal Co., Ltd.	74,848,570.73				4,293,509.83						79,142,080.56	
Subtotal	82,741,230.15				6,401,134.00			2,600,000.00			86,542,364.15	
Total	323,218,295.52	5,994,545.96			99,693,847.77			22,600,000.00			400,312,143.29	5,994,545.96

Determination of net amount of recoverable amount measured at fair value after deducting disposal expenses

Applicable Not applicable

Determination of present value of recoverable amount based on expected cash flows

Applicable Not applicable

XII Financial Report

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

4. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Operating Revenue	Operating Costs	Operating Revenue	Costs
Principal activities	5,560,666,894.03	5,556,483,312.72	6,270,637,334.30	6,040,121,665.12
Other activities	2,018,747,725.42	1,619,996,618.01	1,249,427,268.18	1,005,967,022.32
Total	7,579,414,619.45	7,176,479,930.73	7,520,064,602.48	7,046,088,687.44

Breakdown information of operating revenues and operating costs:

Unit: RMB

Category of contract	Machine-made paper		Others		Total	
	Operating Revenue	Operating Costs	Operating Revenue	Operating Costs	Operating Revenue	Operating Costs
Type of goods	7,200,349,780.38	6,986,898,810.46	379,064,839.07	189,581,120.27	7,579,414,619.45	7,176,479,930.73
Including:						
Machine-made paper	5,560,666,894.03	5,556,483,312.72			5,560,666,894.03	5,556,483,312.72
Others	1,639,682,886.35	1,430,415,497.74	379,064,839.07	189,581,120.27	2,018,747,725.42	1,619,996,618.01
By geographical area	7,200,349,780.38	6,986,898,810.46	379,064,839.07	189,581,120.27	7,579,414,619.45	7,176,479,930.73
Including:						
Mainland China	6,048,307,215.69	5,804,923,689.77	379,064,839.07	189,581,120.27	6,427,372,054.76	5,994,504,810.04
Other countries and regions	1,152,042,564.69	1,181,975,120.69			1,152,042,564.69	1,181,975,120.69
By the timing of delivery	7,200,349,780.38	6,986,898,810.46	379,064,839.07	189,581,120.27	7,579,414,619.45	7,176,479,930.73
Including:						
Goods (at a point in time)	7,200,349,780.38	6,986,898,810.46	255,627,989.04	87,223,462.50	7,455,977,769.42	7,074,122,272.96
Services (within a certain period)			123,436,850.03	102,357,657.77	123,436,850.03	102,357,657.77
By sales channels	7,200,349,780.38	6,986,898,810.46	379,064,839.07	189,581,120.27	7,579,414,619.45	7,176,479,930.73
Including:						
Distribution	4,804,123,673.23	4,816,398,489.33			4,804,123,673.23	4,816,398,489.33
Direct sales	2,396,226,107.15	2,170,500,321.13	379,064,839.07	189,581,120.27	2,775,290,946.22	2,360,081,441.40

XII Financial Report

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

4. Revenue and operating costs (Continued)

Information related to performance obligations:

Item	Time for fulfilment of performance obligations	Significant terms of payment	Nature of goods that the Company undertakes to transfer	Whether the person is the primary person in charge	Company's commitments expected to be refunded to customers	Types of quality assurance offered by the Company and related obligations
Machine-made paper	Domestic sales on the day of delivery to the customer; foreign sales on the day of customs clearance	Domestic sales tend to be provided on an invoice basis; foreign sales tend to be prepaid.	Produces easily distinguishable	Yes	None	Guaranteed quality assurance, should there be objections to product quality within 7 days of arrival, the products can be returned and exchanged.

Other explanations: The Company's performance obligations for sales of machine-made paper are generally less than one year, and the Company takes advance payments or provides credit terms depending on the customer. When the Company is the primary responsible party for a sale, it generally obtains the unconditional right to receive payment when control of the merchandise is transferred to the customer either at the time of shipment or upon delivery to the destination specified by the customer.

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 RMB1,454,807,158.83, in which RMB1,454,807,158.83 was expected to be recognised in 2024.

5. Investment income

Unit: RMB

Item	Amount for the period	Amount for the period
Investment gain on disposal of long-term equity investments	215,506,789.79	751,679.56
Income from long-term equity investments accounted for using the equity method	99,693,847.76	-314,623.14
Income from long-term equity investments accounted for using the cost method	88,000,000.00	731,666,286.45
Investment gain on holding other non-current financial assets	1,867,060.62	4,746,821.37
Investment gain on derecognition of financial assets	-47,421,175.71	-63,403,215.00
Total	357,646,522.46	673,446,949.24

XII Financial Report

XX. Supplementary information

1. Breakdown of extraordinary gains or losses for the current period

Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	431,805,592.54	
Government grants (except for the government grants closely related to the normal operation of the Company, granted in accordance with an established standard and having an ongoing effect on the Company's profit or loss in compliance with national policies and regulations) accounted for in profit or loss for the current period	117,211,489.25	
Except for effective hedging activities conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets and financial liabilities held by a non-financial company, as well as gain or loss arising from disposal of its financial assets and financial liabilities	58,579,398.48	
Reversal of provision for impairment of receivables individually tested for impairment	99,483,459.63	
Profit or loss from debt restructuring	55,297,346.06	
Profit or loss from changes in the fair value of consumable biological assets subsequently measured at fair value	6,775,808.38	
Other non-operating income and expenses other than the above items	-11,642,079.10	
Total extraordinary gains or losses	757,511,015.24	
Less: Effect of income tax of extraordinary gains or losses	89,176,973.22	
Net extraordinary gains or losses	668,334,042.02	
Less: Net effect of extraordinary gains or losses attributable to minority interest (after tax)	7,503,507.14	
Extraordinary gains or losses attributable to ordinary shareholders of the Company	660,830,534.88	

Other profit or loss items consistent with the definition of extraordinary items:

Applicable Not applicable

The Company does not have other profit or loss items consistent with the definition of extraordinary items.

Explanation on classification of non-recurring profit and loss listed in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss as non-recurring profit and loss

Applicable Not applicable

XII Financial Report

XX. Supplementary information (Continued)

1. Breakdown of extraordinary gains or losses for the current period (Continued)

An explanation of the definition of non-recurring profit and loss items listed in the “Interpretative Bulletin No. 1 on Disclosure of Information by Publicly Traded Companies – Non-Recurring Profits and Losses (Revised 2023)” as recurring in accordance with the definitions and principles:

Unit: RMB

Item	During the period	Reasons
Other income	52,766,790.28	Government grants related to assets that are closely related to the Company’s normal operations are subsequently amortised to other income, which has a continuing effect on the Company’s profit or loss and is therefore accounted for as recurring profit or loss.

Impact of the implementation of Interpretative Announcement No. 1 on Information Disclosure by Companies with Public Securities – Non-Recurring Gains and Losses (Revised 2023) on the amount of non-recurring gains and losses for the year 2022:

Unit: RMB

Item	Revised	Unrevised	Amount Impacted
Profit or loss from disposal of non-current assets	161,509,859.17	161,509,859.17	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard in compliance with national policies and regulations) accounted for in profit or loss for the current period	259,087,092.47	314,934,315.62	-55,847,223.15
Profit or loss from debt restructuring	967,464.91	967,464.91	
Except for effective hedging activities conducted in the ordinary course of business of the Company, gains or losses arising from changes in the fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and investment gains on disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other creditor investments,	-35,178,162.53	-35,178,162.53	
Reversal of impairment loss on receivables tested individually for impairment	275,585,463.86	275,585,463.86	
Profit or loss from changes in the fair value of consumable biological assets subsequently measured at fair value	9,924,233.72	9,924,233.72	
Other non-operating income and expenses other than the above items	-37,391,130.09	-37,391,130.09	
Total extraordinary gains or losses	634,504,821.51	690,352,044.66	-55,847,223.15
Less: Effect of income tax of extraordinary gains or losses	128,956,830.19	137,333,913.66	-8,377,083.47
Net extraordinary gains or losses	505,547,991.32	553,018,131.00	-47,470,139.68
Less: Net effect of extraordinary gains or losses attributable to minority interest (after tax)	1,202,165.88	2,268,633.02	-1,066,467.14
Extraordinary gains or losses attributable to ordinary shareholders of the Company	504,345,825.44	550,749,497.98	-46,403,672.54

XII Financial Report

XX. 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	-7.65	-0.45	-0.45
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	-11.45	-0.68	-0.68

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

(3) Reasons for the differences in figures under domestic and foreign accounting standards. The name of the foreign audit institution shall be indicated if the data audited by the foreign audit institution has been regulated differently.

Applicable Not applicable

The Board of Shandong Chenming Paper Holdings Limited
28 Mar 2024