



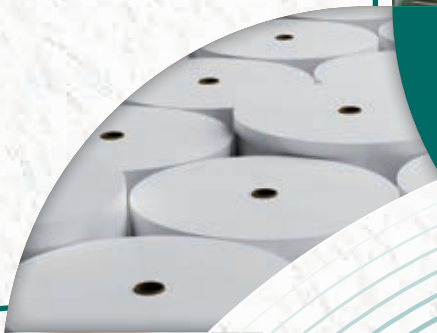
山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

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

Stock Code: 1812

2025 ANNUAL REPORT



* For identification purposes only

I Important Notice, Table of Contents and Definitions

The board of directors (the “Board”), the directors (the “Directors”) 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.

Jiang Yanshan, head of the Company, Zhu Yanli, 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.

Notice of non-standard audit opinions

Applicable Not applicable

Grant Thornton (Special General Partnership) has issued an unqualified audit report with an emphasis of matter paragraph on the Company’s 2025 financial statements. The Board of the Company has provided a detailed explanation of the relevant matter. Investors are advised to review it carefully.

Reminder of material deficiencies in internal control

Applicable Not applicable

Forward-looking statements, such as future plans 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. Investors 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 section VI Management Discussion and Analysis.

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

As of the end of the reporting period, the Company had uncovered losses.

Applicable Not applicable

I Important Notice, Table of Contents and Definitions

Table of Contents

I	Important Notice, Table of Contents and Definitions	1
II	Company Profile and Key Financial Indicators	6
III	Chairman’s Report	11
IV	Management Discussion and Analysis.	13
V	Directors’ Report	47
VI	Corporate Governance, Environment and Society.	57
VII	Material Matters	113
VIII	Changes in Share Capital and Shareholders	139
IX	Bonds	147
X	Financial Report	148

I Important Notice, Table of Contents and Definitions

Documents Available for Inspection

- I. The financial statements signed and sealed by the legal representative, the head in charge of accounting and the head of the accounting 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.
Huanggang Chenming	means	Huanggang Chenming Pulp & Paper Co., Ltd.
Jilin Chenming	means	Jilin Chenming Paper Co., Ltd.
Shanghai Chenming	means	Shanghai Chenming Industry Co., Ltd.
Chenming (HK)	means	Chenming (HK) Limited
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.
Zhanjiang Chenming Paper	means	Zhanjiang Chenming Paper Co., Ltd.
Shandong Chenming Leasing	means	Shandong Shengming Corporate Management Co., Ltd.* (山東晨鳴企業管理有限公司) (previously known as Shandong Chenming Financial Leasing Co., Ltd.* (山東晨鳴融資租賃有限公司))

I Important Notice, Table of Contents and Definitions

Item	Definition
Qingdao Chenming Leasing	means Qingdao Chenming Paper Products Sales Co., Ltd.* (青島晨鳴紙製品銷售有限公司) (previously known as Qingdao Chenming Nonghai Financial Leasing Co., Ltd.)
Shanghai Chenming Leasing	means Shanghai Chenxinming Industrial Development Co., Ltd.* (上海晨新鳴實業發展有限公司) (previously known as Shanghai Chenming Financial Leasing Co., Ltd.)
Chenming Leasing	means Shandong Shengming Corporate Management Co., Ltd.* (山東晟鳴企業管理有限公司) and its subsidiaries
Jiangxi Port	means Jiangxi Chenming Port Co., Ltd.
Yujing Hotel	means Shandong Yujing Grand Hotel Co., Ltd.
Changjiang Industrial Investment Fund	means Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership)* (湖北長江(黃岡)產業投資基金合夥企業(有限合夥))
Chenming Huanggang Fund	means Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)* (湖北長江晨鳴黃岡股權投資基金合夥企業(有限合夥))
Huanggang Technology	means Huanggang Chenming Paper Technology Co., Ltd.
Weifang Xingchen	means Weifang Xingchen Trading Co., Ltd.
the reporting period or the year	means The period from 1 January 2025 to 31 December 2025
the beginning of the year or the period	means 1 January 2025
the end of the year or the period	means 31 December 2025
the prior year	means The period from 1 January 2024 to 31 December 2024

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	ST晨鳴 ST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		
Previous stock abbreviation (if any)	N/A		
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	Jiang Yanshan		
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	Securities affairs representatives	Hong Kong Company Secretary
Name	Yuan Xikun	Chen Lin	Chu Hon Leung
Correspondence address	No. 2199 Nongsheng East Road, Shouguang City, Shandong	No. 2199 Nongsheng East Road, Shouguang City, Shandong Province	22nd Floor, World-Wide House, Central, Hong Kong
Telephone	0536-2158008	0536-2158008	00852-21629600
Facsimile	0536-2158977	0536-2158977	00852-25010028
Email address	chenmmingpaper@163.com	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	Office of the Board of the Company

IV. Change in registration

Unified social credit code	913700006135889860
Change of principal activities since its listing (if any)	Nil
Change of the controlling shareholder (if any)	Nil

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

	2025	2024	Increase/decrease for the year as compared to the prior year	2023
Revenue (RMB)	6,186,550,243.97	22,729,474,852.76	-72.78%	26,608,570,228.20
Net profit attributable to shareholders of the Company (RMB)	-8,295,932,402.88	-7,410,784,491.65	-11.94%	-1,281,289,649.82
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	-7,669,266,539.27	-7,202,385,457.32	-6.48%	-1,942,120,184.70
Net cash flows from operating activities (RMB)	243,208,407.71	2,623,191,664.60	-90.73%	4,389,949,308.82
Basic earnings per share (RMB per share)	-2.83	-2.53	-11.86%	-0.45
Diluted earnings per share (RMB per share)	-2.83	-2.53	-11.86%	-0.45
Weighted average return on net assets	-164.83%	-57.25%	Decrease of 107.58 percentage points	-7.65%

	As at the end of 2025	As at the end of 2024	Increase/decrease as at the end of the year compared to the end of the prior year	As at the end of 2023
Total assets (RMB)	50,620,148,908.13	63,509,295,142.08	-20.29%	79,487,052,953.58
Net assets attributable to shareholders of the Company (RMB)	903,835,592.13	9,156,104,358.91	-90.13%	16,692,175,196.53

II Company Profile and Key Financial Indicators

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	2025	2024	Remark
Revenue (RMB)	6,186,550,243.97	22,729,474,852.76	Revenue from sales of materials of RMB29,363,912.91 and other revenue of RMB39,389,683.95.
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.	68,753,596.86	159,980,820.39	Revenue unrelated to revenue from principal operations
Deduction to revenue (RMB)	68,753,596.86	159,980,820.39	Revenue from sales of materials of RMB29,363,912.91 and other revenue of RMB39,389,683.95.
Revenue after deduction (RMB)	6,117,796,647.11	22,569,494,032.37	Revenue from sales of materials of RMB29,363,912.91 and other revenue of RMB39,389,683.95.

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	797,157,638.89	1,309,473,313.41	1,241,229,778.93	2,838,689,512.74
Net profit attributable to shareholders of the Company	-1,451,634,120.47	-2,406,319,070.09	-2,149,863,362.61	-2,288,115,849.71
Net profit after extraordinary gains or losses attributable to shareholders of the Company	-1,461,511,392.25	-2,183,852,223.56	-2,164,751,046.01	-1,859,151,877.45
Net cash flows from operating activities	530,619,916.12	254,683,358.07	-82,713,992.15	-459,380,874.33

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				
	2025	2024	2023	2022	2021
Revenue	618,655	2,272,947	2,660,857	3,200,437	3,301,981
Profit before tax	-920,021	-785,319	-170,970	18,227	230,618
Tax	-23,737	-6,017	-38,306	-13,509	21,650
Profit for the current period attributable to shareholders of the Company	-829,593	-741,078	-128,129	18,929	206,551
Minority interests	-66,691	-38,223	-4,535	12,807	2,417
Basic earnings per share (RMB/share)	-2.83	-2.53	-0.45	0.03	0.56
Weighted average return on net assets (%)	-164.83%	-57.25%	-7.65%	0.55%	9.56%

Unit: RMB'0,000

	For the year ended 31 December				
	2025	2024	2023	2022	2021
Total assets	5,062,015	6,350,930	7,948,705	8,430,102	8,286,966
Total liabilities	4,780,697	5,067,352	5,838,920	6,057,276	6,029,463
Minority interests	190,934	367,967	440,568	464,369	345,705
Equity attributable to shareholders of the Company	90,384	915,610	1,669,218	1,908,457	1,911,799
Net current assets (liabilities)	-3,322,371	-2,795,136	-2,121,186	-1,917,930	-1,766,446
Total assets less current liabilities	1,122,789	1,966,696	2,970,931	3,240,227	3,233,471

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount for 2025	Amount for 2024	Amount for 2023	Description
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	-602,291,481.76	35,240,228.34	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	64,188,680.68	64,412,067.13	117,211,489.25	
Except for effective hedging business conducted in the ordinary course of business of the Company, profit or loss arising from the change in fair value of financial assets and financial liabilities held by a non-financial company, as well as profit or loss arising from disposal of its financial assets and financial liabilities	-3,174,128.31	-181,379,218.46	58,579,398.48	
Reversal of provision for impairment of receivables individually tested for impairment	13,201,496.76		99,483,459.63	
Profit or loss from debt restructuring	-36,001,298.50	3,519,918.36	55,297,346.06	
Profit or loss from changes in the fair value of consumable biological assets subsequently measured at fair value	-135,025,589.35	-153,411,759.17	6,775,808.38	
Other non-operating income and expenses other than the above items	-50,188,172.61	-15,275,886.14	-11,642,079.10	
Less: Effect of income tax	8,296,434.22	-18,173,051.07	89,176,973.22	
Effect of minority interests (after tax)	-130,921,063.70	-20,322,564.54	7,503,507.14	
Total	-626,665,863.61	-208,399,034.33	660,830,534.88	—

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	54,147,545.32	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.

III Chairman's Report

Dear shareholders,

On behalf of the Board of the Company, I am pleased to present to all shareholders the annual report for the financial year ended 31 December 2025. I would like to express my sincere gratitude to all shareholders for their unwavering trust and steadfast support in standing by the Company through challenges and embarking on a new journey together.

The year 2025 marked an exceptionally challenging year in Chenming Group's development history. Confronted with multiple hurdles, including a prolonged cyclical industry downturn, suspended operations and production at its production bases, an urgent need to enhance internal controls, and the imposition of other risk warnings, the Company once fell into operating difficulties and faced unprecedented challenges to its development. During the reporting period, the Company produced 1.09 million tonnes of machine-made paper and sold 1.00 million tonnes of machine-made paper, achieving revenue of RMB6,187 million and net profit attributable to shareholders of the Company of a loss of RMB8,296 million. During this critical time, bolstered by the robust support of Party committees, governments at all levels and financial institutions, the management team of the Company led the entire workforce to tackle these challenges head-on and fight against the odds. Through steady progress in executing a series of initiatives, such as resuming operation and production, capital coordination, deepening reforms, and enhancing quality and efficiency, the Company managed to secure its foundation for business development and open a new chapter for the Company's turnaround and recovery.

(I) Enhancing the governance system and strengthening internal controls

During the reporting period, the Company deepened Party-building guidance and management reforms. It successfully concluded the leadership re-election and succession process for the Group's Party committee and the Board and further enhanced the mechanism for "two-way entry and cross-appointment" between the Party committee and the Board to ensure that the Party committee could consider major matters in advance, including core areas such as strategic planning, investment and financing. This approach ensured the Party committee fulfilled its role in steering the direction, overseeing the big picture and ensuring execution, thereby facilitating scientific, efficient and prudent decision-making by the Board and comprehensively elevating the Company's corporate governance. Meanwhile, the Company thoroughly revised its corporate governance rules and policies and optimised its internal management structure. A dedicated supervision team was established, and the Group's Discipline Inspection Commission Office was formed, creating a full-process, multi-tiered and comprehensive internal control and supervision system to strengthen risk management capabilities. The Company made concerted efforts to rectify the non-standard issues identified in the 2024 Internal Control Audit Report, continuously improving its standardised operations and establishing a solid institutional safeguard for the Company's healthy development.

(II) Making every effort to resume operation and production and solidifying the foundation for production and operations

During the reporting period, the Company consistently regarded the resumption of production as its top priority for overcoming its operational difficulties. Under the meticulous guidance of Party committees and governments at all levels, and with strong support from financial institutions, the Company actively secured the new syndicated loan disbursement, diversified its raw material supply channels, aggressively advanced equipment maintenance, and pushed for the orderly resumption of operation and production across its production bases. In 2025, thanks to the relentless efforts of all the management and staff, the Huanggang production base maintained stable production, while the three major production bases in Shouguang, Jiangxi and Jilin successfully resumed operation one after another. As of the date of this report, the Zhanjiang production base has resumed full operation. The Company's ability to generate its own working capital gradually recovers, laying a robust foundation for securing market share, upholding its brand reputation and driving a return to profitability.

III Chairman's Report

(III) Vigorously seizing improvement in operational quality and comprehensively implementing cost reduction and efficiency enhancement measures

In the face of severe challenges of industry supply-demand imbalance and intensifying market competition, the Company remained committed to efficiency during the reporting period. It held regular operational analysis meetings to evaluate business conditions and scientifically deploy its operations. Through systematic advancements in end-to-end cost controls, supply chain optimisations and production process upgrades, the equipment operation rate and capacity utilisation rate of its restarted production lines improved significantly as compared to the prior years. Also, the Company vigorously pursued debt restructuring by actively negotiating with financial institutions to secure interest rate reductions and loan extensions. 90 of 109 partner banks and financial leasing companies consented to interest rate reductions or loan extensions, effectively alleviating liquidity pressure. Furthermore, the Company strictly enforced comprehensive capital planning management and strengthened centralised fund control to continuously reduce finance costs. During the reporting period, finance expenses decreased significantly as compared to the corresponding period of the prior year.

(IV) Focusing on the principal activities, revitalising assets and optimising structure

During the reporting period, the Company focused on its principal activities of pulp production and papermaking. An asset management centre was established to spearhead key initiatives, such as the disposal of non-core assets, as well as debt settlement and resolution. By orderly divesting non-core operations and disposing of and revitalising underperforming or idle assets, the Company sought to improve its asset efficiency. On 31 December 2025, the Company convened its 2025 second extraordinary general meeting, where shareholders considered and approved the thorough divestiture of assets related to the financial leasing business. Since then, the Company has fully exited the financial leasing segment and ceased all financial leasing activities, which further optimised the Company's asset-liability structure and lessened the burden of non-core operations on its overall profitability, laying a solid foundation for the Company to operate with greater agility and achieve healthy and sustainable development.

Riding the momentum of the long journey ahead, the Company presses forward to shoulder the challenges that await. The year 2026 marks the beginning year of China's 15th Five-Year Plan. It is a year of both opportunities and challenges, and a critical year for Chenming Group to turn the tide and embark on a path of high-quality development. In the coming year, the Company will closely align with the "One-Two-Five" strategic development plan. It will boost efficiency across five areas: management team building, industrial ecosystem chain enhancement, smart technology and digitalisation development, reform and innovation deepening, and brand credibility building. It will strictly enforce flexible mechanisms that allow for upward and downward mobility in management roles, performance-based compensation adjustments and dynamic staff adjustments. It is committed to fostering a sense of vigilance, a pragmatic work ethic and problem-solving capabilities among all employees. With an unwavering spirit and a forward-moving determination, the Company will tackle challenges head-on and take concrete actions to steer the Company towards sustained stability, continuous improvement and high-quality development, rewarding the trust and support of shareholders with outstanding performance.

On behalf of the Board of the Company, I would like to extend my most sincere gratitude to the Party committees and governments at all levels, financial institutions, partners and friends from all sectors for their robust support and invaluable guidance. I also wish to pay the highest tribute to all the management and staff for their dedication, hard work and unwavering commitment to the Company during these challenging times!

Jiang Yanshan
Chairman

30 March 2026

IV Management Discussion and Analysis

I. Principal activities of the Company during the reporting period

1. Business overview of the Company

The Company is a large modern conglomerate principally engaged in pulp production and papermaking and steadfastly committed itself to implementing a pulp and paper integration strategy, with production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other regions. It is the first paper manufacturer in China to achieve a balance between pulp production and papermaking capacity. The Company offers a rich and extensive portfolio of machine-made paper products, covering more than 200 types in seven series, including cultural paper, coated paper, white cardboard, copy paper, industrial paper, special paper, and household paper. It is the enterprise with the most diverse and comprehensive product range within the domestic paper industry. During the reporting period, the machine-made paper business was the major source of revenue and profit of the Company.

During the reporting period, the Company's Huanggang production base was in normal operation, while the production bases in Shouguang, Jiangxi and Jilin were largely inactive during the first three quarters of 2025, and the Zhanjiang production base remained idle throughout the year. Shutdown losses and maintenance expenses incurred for the period increased year-on-year, and the production and sales of machine-made paper experienced a significant year-on-year decrease, which affected both revenue and profit. Meanwhile, due to the operational halts, the Company made impairment provisions for certain assets, which further affected profit for the current period. Furthermore, to focus on its principal activities of pulp production and papermaking, the Company divested all assets related to its financial leasing business in the fourth quarter of 2025 and had since ceased all financial leasing activities. In accordance with the relevant requirements of the Accounting Standards for Business Enterprises, the Company conducted impairment tests on the credit profiles of its financial leasing customers during the reporting period and made bad debt provisions for certain financial leasing activities. In 2025, the Company recorded revenue of RMB6,187 million and net profit attributable to shareholders of the Company of a loss of RMB8,296 million.

During the reporting period, with robust support from Party committees and governments at all levels and financial institutions, the Company proactively implemented multiple measures to enhance operational efficiency and management level, centred around end-to-end cost reduction and efficiency enhancement as well as all-round new product development. Firstly, the steady progress in resuming full operation and production led to a significant increase in equipment operation rate and capacity utilisation rate of its restarted production lines as compared to the prior year. Secondly, optimised procurement procedures and enhanced workflow management significantly lowered raw material sourcing and logistics costs. Thirdly, the Company enhanced regular communication with financial institutions to secure interest rate reductions and loan extensions, resulting in a decrease of 16.87% in finance expenses as compared to the corresponding period of the prior year.

IV Management Discussion and Analysis

I. Principal activities of the Company during the reporting period *(Continued)*

2. Major products and their application

Major brands of machine-made paper products of the Company and their applications are set out below:

Category	Major brands and types	Major manufacturing companies	Range of application
Culture paper series	<ol style="list-style-type: none"> 1. "BIYUNTIAN", "CLOUDY MIRROR", "CLOUDY LEOPARD" and "YUNJIN" all-wood pulp offset paper and electrostatic base paper 2. "CLOUDY LION" and "CLOUDY CRANE" original white offset paper 3. "CLOUDY PINE" and "GREEN PINE" light weight paper 4. Blueprint paper, colour offset paper, pure texture paper, non-fluorescent offset paper, PE offset paper 5. Beige and high white book paper 6. Light weight coated paper 	<p>Shouguang Headquarters Shouguang Meilun Zhanjiang Chenming Jiangxi Chenming Jilin Chenming</p>	<p>Printing publications, textbooks, magazines, covers, illustrations, notebooks, test papers, teaching materials, reference books, etc.</p>
Coated paper series	<ol style="list-style-type: none"> 1. "SNOW SHARK" and "EAGLE" one-sided coated paper 2. "SNOW SHARK", "EAGLE" and "RABBIT" double-sided coated paper 3. "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, pictures, magazines and so on, promotional materials such as interior pages of high-end books, wall calendars, posters and so on, and 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, slippases, 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"> 1. 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 2. Food package board of "LIYA" and "LIZZY" series 3. Coated cattle card and LIYA book card 4. Playcard paper board 5. Chenming cigarette cardboard 	<p>Shouguang Headquarters Jiangxi Chenming Zhanjiang Chenming</p>	<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.</p>
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>	<p>Printing and copying business documents, training materials, and writing.</p>
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 scenarios.

IV Management Discussion and Analysis

I. Principal activities of the Company during the reporting period *(Continued)*

3. Operation model

(1) Procurement model

Building upon its supply chain management model characterised by “centralised group procurement, priority on sourcing, extended bidding and open transparency”, the Company has comprehensively advanced the digitisation, standardisation and refinement of its procurement operations to continuously enhance procurement efficiency, cost control and fairness. The Company develops and launches an online bidding platform to enable online bidding throughout the entire procurement lifecycle, leveraging digital tools to boost procurement transparency and operational efficiency. Using the “Chenming Procurement Management Platform” official account as its core publication channel, the Company broadcasts key information in real time, such as tender announcements, qualification requirements and evaluation criteria, ensuring full disclosure and transparency in procurement information. Tender packages for procurement are managed through refined categorisation. Over 95% of tenders utilises a mechanism where “a new low bid automatically triggers a 5-minute bidding extension”, which minimises human interference and secures the most optimal procurement pricing. The Company systematically improves its supplier database through dynamic updates and optimisation of its supplier portfolio, which strengthens the competitive mechanism among suppliers and effectively improves both product quality and cost control level.

(2) Production model

Guided by the Group’s “One-Two-Five” development concept, the Company is committed to its goal of “building a top-tier management team and delivering outstanding business performance”. With a focus on cost reduction, efficiency enhancement and new product research and development (R&D), the Company strengthens its production foundation through five key initiatives to create an efficient, green and intelligently coordinated production model. On the production side, the Company deepens its pulp and paper integration strategy by establishing fully equipped chemical pulp production lines at its core bases in Shouguang, Zhanjiang and Huanggang. This enables raw material self-sufficiency, mitigates the impact of wood pulp price fluctuations and lowers production costs. Meanwhile, by coordinating with surrounding and company-owned forest lands, the Company has enhanced the “forest-pulp-paper” closed-loop industrial chain, thereby improving the stability and sustainability of raw materials supply and ensuring uninterrupted production. Dedicated to environmental stewardship, the Company has practiced green production throughout the year by increasing environmental investments, upgrading facilities and optimising production processes to establish itself as a resource-efficient and environmentally friendly enterprise, achieving a win-win for both production and environmental protection. While strengthening its physical production infrastructure, the Company also optimises production management and boosted operational efficiency. With planning management at its core, production management features a four-tier coordinated control system. The Company strictly adheres to a “produce-to-order and sales -production balance” approach, dynamically scheduling production based on market demand and tightly controlling inventory to prevent capacity waste and overstocking. Furthermore, the Company accelerates the digital transformation of production by rolling out the MES system and deeply integrating it with ERP and DCS. This enables data synchronisation, driving greater precision and intelligence in management.

(3) Marketing model

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, and branches to achieve matrix management. The sales companies are divided into culture paper series, coated paper series, electrostatic paper series, special paper series and household paper series according to product line. Each product company has branches, each headed by a chief representative with full authority to manage its operations.

IV Management Discussion and Analysis

I. Principal activities of the Company during the reporting period *(Continued)*

3. Operation model *(Continued)*

(3) Marketing model *(Continued)*

The Company has implemented a three-level scheduling mechanism, with daily task assignments disseminated to branch companies, product companies and sales companies to ensure effective plan execution. 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 model

Guided by the market and driven by innovation, the Company places a strong emphasis on technological R&D. It has formed a variety of R&D models, such as independent R&D, technology introduction and industry-academia-research collaboration. At present, the Company has a number of domestically leading innovative R&D platforms, including a national enterprise technology centre, a post-doctoral research working station, a collaborative innovation centre for cleaner production and refinery of light industry bio-based products and Shandong Pulp and Papermaking Engineering Lab, which continuously enhance the Company's capacity for independent innovation. Meanwhile, the Company focuses on its existing production systems and manufacturing processes to implement technical transformations, process optimisations and equipment upgrades. By iterating its core production technologies, the Company enhances both product quality and production efficiency, building a core technology system that combines Chenming's unique characteristics with industry competitiveness. Furthermore, the Company actively engages in industry-academia-research collaborations with universities and research institutes, including Qilu University of Technology and Shandong Paper Industry Research and Design Institute, to introduce, assimilate and absorb scientific and technological innovations, through which the Company continuously optimises its product structure and further boosts the market competitiveness of its products.

II. Industry overview of the Company during the reporting period

The Company operates within the paper and paper products industry. As a large pulp and paper manufacturer in China featuring a complete industrial chain, leading scale, and a high degree of pulp and paper integration, the Company operates multiple production bases across Shandong, Guangdong, Hubei, Jiangxi, Jilin and other regions. It offers a diverse range of machine-made paper products, with core products including cultural paper, coated paper and white cardboard. The Company ranks at the forefront of the industry in terms of production capacity, product quality, technical equipment, and brand influence.

The paper industry is a crucial foundational sector of the national economy and is essential for sustaining daily livelihoods. It is distinctly characterised as a technology-capital-resource intensive industry. Its product applications penetrate all aspects of social and economic activities. They are deeply integrated into the defence and military industry (special functional materials), cultural communication (publishing and printing), industrial and agricultural production (supporting materials), modern logistics (packaging products) and other key areas of the national economy and are closely related to everyday consumer spending. As a typical cyclical industry, the prosperity of the paper industry is closely tied to the broader economic trend. The consumption level of paper and paperboard has become one of the important indicators to measure a country's level of modernisation and civilised development, and is widely recognised by the international community as a "social and economic barometer".

IV Management Discussion and Analysis

II. Industry overview of the Company during the reporting period *(Continued)*

Currently, China's paper industry has entered a phase of high-quality transformation and development, with its primary focus shifting entirely from scale expansion to structural upgrading. Green and low-carbon practices have become the core guiding principles for the industry's growth, while energy efficiency, environmental protection and carbon footprint are now key prerequisites for market entry and competitiveness. Meanwhile, the trend toward industrial chain integration is becoming increasingly prominent, and outdated production capacity is continuously being phased out. The industry as a whole has transitioned from rapid growth to a new stage of high-quality, sustainable, eco-friendly, and intensive development, gradually establishing a policy landscape that supports superior enterprises while restricting inferior ones. Since 2025, a series of industry-related policies have been rapidly introduced and implemented to further regulate industry development and guide industrial upgrading. On 1 May, the Norm of Energy Consumption per Unit Product of Pulp and Paper (GB31825-2024) officially took effect, which further tightened energy consumption limits and broadened the scope of energy consumption accounting. In August, the Shandong Provincial Department of Industry and Information Technology issued the Guidelines for the Cultivation and Development of New Quality Productive Forces in the Paper and Biomass Refining Industrial Chain in Shandong (2025 Edition), which covered the entire upstream and downstream industrial chain, including pulping, biomass refining, papermaking, and paper products, and provided development guidelines on independent innovation, digital and intelligent transformation, brand marketing, and green safety to help enterprises foster new quality productive forces. In November, the Ministry of Emergency Management issued the industry standard of AQ7022-2025 Specification for Pulp and Paper Safety. In addition to outlining the general requirements for safety protection and safety signage, it also provided detailed provisions for critical areas such as specialised equipment and confined spaces, as well as safety management protocols spanning from raw material storage to wastewater treatment. This standard will officially come into effect on 1 November 2026.

Official data from the National Bureau of Statistics indicates that in 2025, China's paper and paper products industry generated a revenue of RMB1,418.67 billion, representing a year-on-year decrease of 2.6%. Operating costs amounted to RMB1,246.37 billion, representing a year-on-year decrease of 2.8%, while total profits amounted to RMB44.30 billion, representing a year-on-year decrease of 13.6%. The export delivery value was RMB80.72 billion, surpassing the RMB80 billion mark for the first time. Overall, the paper industry is currently in a development phase of cyclical bottoming and marginal recovery, and the imbalance between supply and demand has yet to be fundamentally resolved. On the supply side, as new production capacity was gradually put into operation, the total supply continued to grow. In 2025, the national output of machine-made paper and paperboard reached 164.054 million tonnes, representing a year-on-year increase of 2.9%. On the demand side, the industry is highly correlated with the wider economy, retail sales of consumer goods, packaging and printing, as well as publishing and education. Influenced by the trends in these related sectors, the overall demand for cultural paper, white cardboard and coated paper remained weak, keeping product prices under pressure. On the cost side, the price of wood pulp, the primary raw material for the paper industry, was impacted by multiple factors, including supply and demand fundamentals and tariff policy conflicts. In the first half of 2025, prices experienced a brief surge followed by a rapid decline. In the second half of the year, the price trends for softwood and hardwood pulp diverged, where softwood pulp continued to fluctuate at low levels, while hardwood pulp stopped falling and rebounded from low to high. Overall, wood pulp prices in 2025 saw a year-on-year decrease, which partially alleviated the cost pressure on enterprises and restored profit margins.

IV Management Discussion and Analysis

II. Industry overview of the Company during the reporting period *(Continued)*

Looking ahead, as supply-side structural reforms deepen, the domestic circulation system improves, and domestic demand gradually recovers, coupled with the ongoing impact of policies aimed at curbing “involution” and standardising orderly competition, the supply and demand dynamics in the paper industry will continue to improve, and the industry’s overall business atmosphere is expected to gradually rebound. Against the backdrop of the deepening implementation of the “dual carbon” strategic goals, the industry’s green and low-carbon transition is becoming more profound and concrete. Low-carbon practices, energy conservation and recycling will become standard requirements for industry development. Outdated production capacity from small and medium-sized enterprises will be orderly phased out, further increasing industry concentration. Competitive advantages will increasingly shift toward leading enterprises equipped with complete industrial chains, outstanding technological capabilities, and top-tier environmental standards. Meanwhile, as China accelerates the cultivation and development of new quality productive forces, the pace of digital and intelligent transformation within the paper industry will continue to speed up. The construction of smart factories and the level of digitalisation and intelligence across the entire value chain will steadily improve. Technological empowerment will inject new momentum into the industry, driving cost reductions, efficiency gains and quality upgrades. Going forward, the Company will closely align with the “One-Two-Five” strategic development plan, focusing on its principal activities of pulp production and papermaking. It will also continuously strengthen its core competitiveness, actively seize structural development opportunities within the industry and adhere to a steady business philosophy in a bid to drive the enterprise towards high-quality and sustainable development.

III. Analysis of core competitiveness

After more than 60 years of innovative development, 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 an industry chain featuring pulp and paper integration. 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. It is the first modern large-scale papermaking 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 industry is a typical capital-intensive and technology-intensive industry that follows the laws of economies of scale. The Company’s large-scale production bases can be found in the major markets in Southern, Central, Northern, and Northeast China, where reasonable production scale creates the marginal cost advantage. Meanwhile, by leveraging the scale advantages, the Company has built an international logistics centre and railway dedicated lines and docks, and constructed a comprehensive logistics service platform covering container shipping, bonded warehousing, transfer and storage at stations and terminals, realising the improvement of logistics efficiency and the stability of logistics costs.

3. Product advantages

The Company is an enterprise that offers the widest and most complete product range in the paper industry in China. The product series includes culture paper, white cardboard, coated paper, copy paper, household paper, thermal paper, etc. The Company has attached great importance to technology R&D. By introducing the most advanced pulping and papermaking technology and equipment in the world, it persists in technological innovation and work process optimisation, so as to help improve product quality and structure upgrade, continuously improve the brand value of Chenming, and enhance brand benefits.

IV Management Discussion and Analysis

III. Analysis of core competitiveness (*Continued*)

4. Industry layout advantages

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

The Company highly values the introduction and upgrades of technical equipment, actively pushes equipment and technology upgrades forward and boasts the largest and most advanced pulping and papermaking 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, a collaborative innovation centre for cleaner production and refinery of light industry bio-based products, and Shandong Pulp and Papermaking Engineering Lab. 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 R&D levels, and develops a series of new products with high technology contents and high added value as well as proprietary technologies. As at the end of the reporting period, the Company had obtained over 490 national patents, including 45 invention patents, 7 national new products, 16 scientific and technological progress awards above the provincial level, 5 national scientific and technological projects and 76 Shandong 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. 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 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. Meanwhile, in response to the “dual carbon” policy, the Company actively introduces photovoltaic power generation and biomass power generation, continuously optimises the energy structure and improves the level of low-carbon production.

IV Management Discussion and Analysis

IV. Analysis of principal operations

1. Overview

In 2025, the Company's Huanggang production base was in normal operation, while the production bases in Shouguang, Jiangxi and Jilin were largely inactive during the first three quarters, and the Zhanjiang production base remained idle throughout the year. Shutdown losses and maintenance expenses incurred for the period increased year-on-year, and the production and sales of machine-made paper experienced a significant year-on-year decrease, which affected both revenue and profit. Meanwhile, due to the operational halts, the Company made impairment provisions for certain assets, which further affected profit for the current period. Furthermore, to focus on its principal activities of pulp production and papermaking, the Company divested all assets related to its financial leasing business in the fourth quarter of 2025 and had since ceased all financial leasing activities. In accordance with the relevant requirements of Accounting Standards for Business Enterprises, the Company conducted impairment tests on the credit profiles of its financial leasing customers during the reporting period and made bad debt provisions for certain financial leasing activities. During the reporting period, the Company completed machine-made paper production of 1.09 million tonnes and sales volume of 1.00 million tonnes, and realised revenue of RMB6,187 million and net profit attributable to shareholders of the Company of a loss of RMB8,296 million. With robust support from Party committees and governments at all levels and financial institutions, the Company proactively implemented multiple measures to enhance operational efficiency and management level, centred around end-to-end cost reduction and efficiency enhancement as well as all-round new product development. Firstly, the steady progress in resuming full operation and production led to a significant increase in equipment operation rate and capacity utilisation rate of its restarted production lines as compared to the prior year. Secondly, optimised procurement procedures and enhanced workflow management significantly lowered raw material sourcing and logistics costs. Thirdly, the Company enhanced regular communication with financial institutions to secure interest rate reductions and loan extensions, resulting in a decrease of 16.87% in finance expenses as compared to the corresponding period of the prior year.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

2. Revenue and cost

(1) Components of revenue

Unit: RMB

	2025		2024		Increase/decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	6,186,550,243.97	100%	22,729,474,852.76	100%	-72.78%
By industry					
Machine-made paper	4,209,486,448.14	68.04%	20,179,848,508.57	88.79%	-79.14%
Chemical pulp	1,539,769,602.57	24.89%	1,519,262,130.75	6.68%	1.35%
Electricity and steam	173,515,289.61	2.80%	216,763,239.54	0.95%	-19.95%
Hotel and property rentals	146,618,394.97	2.37%	193,494,961.95	0.85%	-24.23%
Construction materials	2,695,946.74	0.04%	127,783,427.12	0.56%	-97.89%
Chemicals	104,714.23	0.00%	88,627,247.45	0.39%	-99.88%
Others	114,359,847.71	1.86%	403,695,337.38	1.78%	-71.67%
By product					
Coated paper	1,377,624,572.84	22.27%	3,758,928,113.95	16.54%	-63.35%
Duplex press paper	943,510,985.22	15.25%	6,117,888,314.70	26.92%	-84.58%
Electrostatic paper	557,850,204.85	9.02%	3,547,162,310.53	15.61%	-84.27%
White cardboard	514,738,628.42	8.32%	4,553,056,974.25	20.03%	-88.69%
Anti-sticking raw paper	468,615,431.58	7.57%	909,489,122.98	4.00%	-48.47%
Thermal paper	111,375,090.91	1.80%	432,929,902.58	1.90%	-74.27%
Other machine-made paper	235,771,534.32	3.81%	860,393,769.58	3.79%	-72.60%
Chemical pulp	1,539,769,602.57	24.89%	1,519,262,130.75	6.68%	1.35%
Electricity and steam	173,515,289.61	2.80%	216,763,239.54	0.95%	-19.95%
Hotel and property rentals	146,618,394.97	2.37%	193,494,961.95	0.85%	-24.23%
Construction materials	2,695,946.74	0.04%	127,783,427.12	0.56%	-97.89%
Chemicals	104,714.23	0.00%	88,627,247.45	0.39%	-99.88%
Others	114,359,847.71	1.86%	403,695,337.38	1.78%	-71.67%
By geographical segment					
Mainland China	5,794,691,698.31	93.67%	18,082,061,604.77	79.55%	-67.95%
Other countries and regions	391,858,545.66	6.33%	4,647,413,247.99	20.45%	-91.57%
By sales model					
Distribution	4,250,770,191.32	68.71%	16,965,016,680.69	74.64%	-74.94%
Direct sales	1,935,780,052.65	31.29%	5,764,458,172.07	25.36%	-66.42%

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	4,209,486,448.14	6,476,422,202.79	-53.85%	-79.14%	-67.41%	55.38%
Chemical pulp	1,539,769,602.57	1,529,284,223.52	0.68%	1.35%	11.61%	-9.13%
By product						
Coated paper	1,377,624,572.84	1,352,622,852.37	1.81%	-63.35%	-58.55%	-11.37%
Duplex press paper	943,510,985.22	1,029,636,395.75	-9.13%	-84.58%	-82.15%	-14.87%
By geographical segment						
Mainland China	5,794,691,698.31	8,145,540,277.91	-40.57%	-67.95%	-53.49%	-43.72%
By sales model						
Distribution	4,250,770,191.32	5,919,099,434.30	-39.25%	-74.94%	-64.50%	-40.96%
Direct sales	1,935,780,052.65	2,683,258,653.11	-38.61%	-66.42%	-50.94%	-43.73%

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	2024	2023	Increase/ decrease
Machine-made paper	Sales	'0,000 tonnes	100	447	-77.63%
	Production	'0,000 tonnes	109	427	-74.47%
	Inventories	'0,000 tonnes	25	16	56.25%

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

Applicable Not applicable

- ① Sales decreased by 77.63% as compared to the corresponding period of the prior year and production decreased by 74.47% as compared to the corresponding period of the prior year mainly due to a year-on-year decline in the production and sales of machine-made paper with the production bases in Shouguang, Jiangxi and Jilin being largely inactive during the first three quarters, and the Zhanjiang production base remaining idle throughout the year.
- ② Inventories increased by 56.25% as compared to the corresponding period of the prior year mainly due to an increase of inventories as at the end of the reporting period as compared to the beginning of the period as a result of the production bases of machine-made paper remaining idle since November 2024 and the gradual resumption of operation and production of the major production bases since September 2025.

(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	2025	% of	2024	% of	Increase/ decrease
		Amount	operating costs	Amount	operating costs	
Machine-made paper	Raw materials	3,823,682,305.29	59.04%	11,828,109,710.98	59.53%	-67.67%
	Chemicals	867,160,505.36	13.39%	2,583,423,761.59	13.00%	-66.43%
	Energy and power	761,130,656.78	11.75%	2,386,038,849.39	12.01%	-68.10%
	Depreciation	210,635,470.35	3.25%	960,184,014.41	4.83%	-78.06%
	Freight	188,144,736.90	2.91%	686,460,621.13	3.55%	-72.59%
	Labour costs	83,085,016.02	1.28%	291,717,645.90	1.47%	-71.52%
	Other production costs	542,583,512.09	8.38%	1,134,578,787.95	5.61%	-52.18%
	Subtotal	6,476,422,202.79	100.00%	19,870,513,391.35	100.00%	-67.41%
Chemical pulp	Raw materials	955,058,213.61	62.45%	958,370,750.86	69.94%	-0.35%
	Chemicals	339,322,966.98	22.19%	241,722,332.15	17.64%	40.38%
	Accumulated depreciation	68,699,128.67	4.49%	52,876,991.99	3.86%	29.92%
	Energy and power	45,125,773.62	2.95%	38,763,133.20	2.83%	16.41%
	Labour costs	13,002,400.35	0.85%	9,468,190.03	0.69%	37.33%
	Freight	1,089,395.18	0.07%			
	Other production costs	106,986,345.11	7.00%	68,993,613.36	5.04%	55.07%
	Subtotal	1,529,284,223.52	100.00%	1,370,195,011.59	100.00%	11.61%
Electricity and steam	Raw materials	146,063,346.79	63.64%	157,175,024.00	60.54%	-7.07%
	Depreciation	31,027,890.09	13.52%	34,156,605.23	13.16%	-9.16%
	Labour costs	11,982,832.74	5.22%	15,489,066.88	5.97%	-22.64%
	Energy and power	5,002,814.87	2.18%	4,724,477.71	1.82%	5.89%
	Chemicals	307,715.40	0.13%	2,636,036.76	1.02%	-88.33%
	Other production costs	35,146,830.18	15.31%	45,419,675.79	17.49%	-22.62%
	Subtotal	229,531,430.07	100.00%	259,600,886.37	100.00%	-11.58%

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, 3 subsidiaries were newly established, namely Zhanjiang Chenming Paper Co., Ltd., Chenming International Trade Import and Export Co., Limited and Shanghai Hongtai Tengda Industrial Development Co., Ltd. A company was included in the scope of consolidation, namely Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership). 7 subsidiaries were disposed of, namely Shouguang Wei Yuan Logistics Company Limited, Shandong Shengming Corporate Management Co., Ltd., Qingdao Chenming Paper Products Sales Co., Ltd., Shanghai Chenxinming Industrial Development Co., Ltd., Chenming Management and Consulting (Shandong) Co., Ltd., Shandong Dingkun Asset Management Partnership (Limited Partnership) and Nanjing Chenming Culture Communication Co., Ltd. 2 subsidiaries were deregistered, namely Zhanjiang Meilun Pulp & Paper Co., Ltd. and Chenming Paper United States 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 the top 5 customers (RMB)	1,731,623,559.35
Total sales to the top 5 customers as a percentage of the total sales for the year	27.98%
Sales to the top 5 customers who are related parties as a percentage of the total sales for the year	0

Information on the top 5 customers of the Company

No.	Name of customer	Sales (RMB)	As a percentage of the total sales for the year
1	Customer 1	478,343,519.44	7.73%
2	Customer 2	447,595,367.98	7.23%
3	Customer 3	339,490,943.58	5.49%
4	Customer 4	280,420,691.98	4.53%
5	Customer 5	185,773,036.37	3.00%
Total	—	1,731,623,559.35	27.98%

Other explanations 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 the top 5 suppliers (RMB)	3,470,871,006.33
Total purchases from the top 5 suppliers as a percentage of the total purchases for the year	40.35%
Total purchases from the top 5 suppliers who are related parties as a percentage of the total purchases for the year	0

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	Customer 1	2,576,893,498.80	29.96%
2	Customer 2	272,400,654.79	3.17%
3	Customer 3	240,293,358.49	2.79%
4	Customer 4	218,581,777.53	2.54%
5	Customer 5	162,701,716.72	1.89%
Total	—	3,470,871,006.33	40.35%

Other explanations of the major suppliers

Applicable Not applicable

Income from the trading business of the Company accounted for more than 10% of revenue during the reporting period

Applicable Not applicable

IV Management Discussion and Analysis

IV. Analysis of principal operations *(Continued)*

3. Expenses

Unit: RMB

	2025	2024	Increase/ decrease	Reasons for material changes
Selling and distribution expenses	104,321,369.48	241,171,109.12	-56.74%	Wages, travel expenses and business entertainment expenses of sales personnel decreased year on year during the reporting period.
General and administrative expenses	515,067,347.17	751,168,974.00	-31.43%	Business entertainment expenses and legal costs decreased year on year during the reporting period.
Finance expenses	1,635,994,864.67	1,967,982,467.34	-16.87%	Interest expenses and service fees of the Company decreased year on year during the reporting period.
Research and development expenses	93,261,011.49	1,080,331,754.42	-91.37%	Research and development expenses decreased year on year during the reporting period due to the shutdown of the major production bases of the Company during the first three quarters.

IV Management Discussion and Analysis

IV. Analysis of principal operations (Continued)

4. R&D 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
Development of double sizing technology for anti-sticking raw paper	Enhancing product functionality or improving performance	Pilot testing phase	To become domestically leading	Improving product quality, lowering production costs and improving the Company's economic benefits.
Development of natural white matte coated paper for art books	Enhancing product functionality or improving performance	Trial production phase	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Development of special coated paper for packaging boxes	Enhancing product functionality or improving performance	Trial production phase	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Research on silica sol retention technology in the wet-end system of cultural paper	Enhancing product functionality or improving performance	Small testing stage	To become domestically leading	Improving product quality, lowering production costs and improving the Company's economic benefits.
Development of 100-micron thick thermal paper	Enhancing product functionality or improving performance	Pilot testing phase	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Development of die-cut embossed paper	Developing new products	Pilot testing phase	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Development of technology for high-end kitchen paper	Developing new products	Pilot testing phase	To become domestically leading	Improving customer satisfaction with products and increasing market share.
Research on paper technology using high-substitution cationic starch	Enhancing product functionality or improving performance	Trial production phase	To become domestically leading	Improving product quality, lowering production costs and improving the Company's economic benefits.
Research on the strengthening effect of amphoteric dry-strength agents on electrostatic copy paper	Enhancing product functionality or improving performance	Trial production phase	To become domestically leading	Improving product quality, lowering production costs and improving the Company's economic benefits.
Redevelopment of ECF bleaching technology for hardwood kraft pulp	Enhancing product functionality or improving performance	Pilot testing phase	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. R&D expenditure (Continued)

R&D personnel of the Company

	2025	2024	Percentage of change
R&D headcount	885	1,310	-32.44%
Ratio of R&D personnel	9.84%	13.65%	-3.81%
Academic background of R&D personnel			
Bachelor's degree	106	143	-25.87%
Master's degree	4	3	33.33%
Age composition of R&D personnel			
Under 30	148	230	-35.65%
30~40 years old	450	824	-45.39%

R&D expenditure of the Company

	2025	2024	Percentage of change
R&D expenditure (RMB)	93,261,011.49	1,080,331,754.42	-91.37%
R&D expenditure to revenue	1.51%	4.75%	-3.24%
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

In 2025, certain machines were shut down for maintenance and gradually resumed operation in September, resulting in a relatively short operating period. During this period, the Company prioritised its fund allocation towards ensuring resumed production and stable operation, which consequently scaled back R&D activities. As a result, the number of personnel involved in R&D temporarily decreased, leading to a corresponding shift in the composition of the R&D team. As the Company's production bases resume full operation and production and operation resume in an orderly manner, the Company will continue to focus on its principal activities by steadily increasing its R&D expenditure and efforts to strengthen its technological innovation capabilities. The temporary change in the R&D team's composition was due to the short-term arrangement in production and operation and will not have any material adverse impact on the Company's overall business development, technological R&D or long-term strategic goals.

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

Applicable Not applicable

Reasons for and reasonableness of the significant change in 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	2025	2024	Increase/ decrease
Subtotal of cash inflows from operating activities	6,798,057,998.59	23,774,221,275.09	-71.41%
Subtotal of cash outflows from operating activities	6,554,849,590.88	21,151,029,610.49	-69.01%
Net cash flows from operating activities	243,208,407.71	2,623,191,664.60	-90.73%
Subtotal of cash inflows from investing activities	378,271,456.18	535,245,822.29	-29.33%
Subtotal of cash outflows from investing activities	512,169,806.58	69,444,183.34	637.53%
Net cash flows from investing activities	-133,898,350.40	465,801,638.95	-128.75%
Subtotal of cash inflows from financing activities	24,833,885,112.43	34,062,925,816.76	-27.09%
Subtotal of cash outflows from financing activities	24,955,949,742.99	37,787,846,793.19	-33.96%
Net cash flows from financing activities	-122,064,630.56	-3,724,920,976.43	96.72%
Net increase in cash and cash equivalents	-14,646,363.97	-612,290,496.30	97.61%

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

Applicable Not applicable

- (1) Net cash flows from operating activities decreased by 90.73% as compared to the corresponding period of the prior year mainly due to the decrease in sales revenue as a result of the decrease in sales volume of the machine-made paper as some production based were shut down during the reporting period.
- (2) Net cash flows from investing activities decreased by 128.75% as compared to the corresponding period of the prior year mainly due to the repurchase of a portion of equity interest in a subsidiary from a minority shareholder during the reporting period.
- (3) Net cash flows from financing activities increased by 96.72% as compared to the corresponding period of the prior year mainly due to interest rate reductions or loan extensions provided by major financial institutions various measures taken through multiple channels to mitigate debt risks 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

Net profit decreased significantly mainly due to credit impairment losses, loss on impairment of assets and investment loss during the year. At the same time, receipts from sales of the Company during the year were higher than raw material costs and various expenses, leading to a material difference between the cash flow from operating activities and the net profit during the year.

IV Management Discussion and Analysis

V. Analysis of non-principal operations

Applicable Not applicable

Unit: RMB

	Amount	As a percentage of total profit	Reason	Sustainable or not?
Other income	97,846,053.94	-1.06%	Receipt of government grants related to daily business activities and profit or loss from debt restructuring	Including RMB103 million, the annual amortisation amount of government grants received in prior periods, and sustainable in nature.
Investment income	-1,548,823,477.26	16.83%	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 on change in fair value	-148,726,915.03	1.62%	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	-2,095,453,978.40	22.78%	Bad debt provisions for receivables	No
Impairment of assets	-556,179,803.08	6.05%	Bad debt provisions for non-current assets	No
Non-operating expenses	60,465,612.20	-0.66%	Various expenses not directly related to the Company's day-to-day production and operation	No

VI. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of 2025		As at the beginning of 2025		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	210,398,721.95	0.42%	5,909,879,812.18	9.31%	-8.89%	Mainly due to a decrease in deposits as at the end of the reporting period.
Accounts receivable	742,744,136.20	1.47%	1,384,290,313.70	2.18%	-0.71%	Mainly due to a decrease in receivables from customers and the divestment of the leasing company as at the end of the reporting period.
Other receivables	302,065,195.40	0.60%	1,084,651,870.94	1.71%	-1.11%	Mainly due to a decrease in payments with external entities and the divestment of the leasing company as at the end of the reporting period.
Inventories	3,316,198,760.70	6.55%	2,835,388,802.15	4.46%	2.09%	Mainly due to an increase of goods in stock and raw materials 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 2025		As at the beginning of 2025		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Non-current assets due within one year	194,204,719.66	0.38%	2,840,365,519.48	4.47%	-4.09%	Mainly due to the divestment of the leasing company as at the end of the reporting period.
Long-term receivables	2,338,612,032.26	4.62%	280,291,802.55	0.44%	4.18%	Mainly due to an increase of the amount related to the equity and debt transfer of the leasing company as at the end of the reporting period.
Bills payable			1,423,918,112.99	2.24%	-2.24%	Mainly due to the reclassification of all overdue bills to accounts payable, other payables and short-term borrowings as at the end of the reporting period.
Accounts payable	8,608,727,052.92	17.01%	7,708,967,406.47	12.14%	4.87%	Mainly due to an increase of accounts payable to suppliers and the reclassification of some overdue bills to accounts payable as at the end of the reporting period.
Other payables	4,772,023,040.44	9.43%	2,896,409,953.94	4.56%	4.87%	Mainly due to an increase in payments with external entities as at the end of the reporting period.
Non-current liabilities due within one year	2,313,171,903.83	4.57%	1,577,936,964.14	2.48%	2.09%	Mainly due to an increase of financial lease payments due within one year as at the end of the reporting period.
Other current liabilities	1,539,511,608.24	3.04%	2,680,562,600.58	4.22%	-1.18%	Mainly due to extensions of overdue financial leasing borrowing as at the end of the reporting period.
Long-term borrowings	5,576,510,739.72	11.02%	4,763,662,194.24	7.50%	3.52%	Mainly due to extensions of long-term borrowings as at the end of the reporting period.
Long-term payables	1,685,368,809.50	3.33%	774,965,008.29	1.22%	2.11%	Mainly due to extensions of overdue financial leasing borrowing as at the end of 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 acquired during the period	Amount disposed of during the period	Other changes	Closing balance
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	37,259,325.70	2,419,619.63	-157,054,799.71				-887,823.59	38,791,121.74
2. Other non-current financial assets	751,030,454.68	-16,120,945.31	14,100,780.55			211,417.43	-406,763,465.62	327,934,626.32
3. Biological assets measured at fair value	1,256,379,773.85	-135,025,589.35	-251,676,543.49		49,226,395.50	107,499,084.97		1,063,081,495.03
Total	2,044,669,554.23	-148,726,915.03	-394,630,562.65		49,226,395.50	107,710,502.40	-407,651,289.21	1,429,807,243.09

Whether there were any material changes in 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	As at the end of the period				As at the beginning of the period			
	Book balance	Book value	Type of restriction	Restriction	Book balance	Book value	Type of restriction	Restriction
Fixed assets	39,673,397,581.16	21,032,970,345.50	Mortgage	As collateral for bank borrowings and long-term payables	34,375,256,421.29	20,001,586,415.43	Mortgage	As collateral for bank borrowings and long-term payables
Investment properties	6,897,297,786.90	5,357,575,638.82	Mortgage	As collateral for bank borrowings	6,742,657,317.44	5,433,525,500.09	Mortgage	As collateral for bank borrowings
Intangible assets	1,842,713,402.02	1,308,852,997.82	Mortgage	As collateral for bank borrowings and long-term payables	1,789,243,785.12	1,312,981,381.52	Mortgage	As collateral for bank borrowings and long-term payables
Long-term equity investments	1,584,342,692.88	1,578,247,974.28	Freeze	Pledge and freeze of guarantee for debts	1,549,103,158.31	1,549,103,158.31	Freeze	Freeze due to being sued for arrears
Inventories	764,268,342.37	741,627,115.10	Mortgage and seizure by court	As collateral for contract performance and seizure due to being sued for arrears	120,195,864.99	103,566,055.40	Seizure by court	Seizure due to being sued for arrears
Monetary funds	63,728,850.28	63,728,850.28	Pledge and freeze	As deposits for bank acceptance bills, letter of credit and loans, deposit reserves or frozen accounts and frozen by litigation, etc.	5,728,747,806.12	5,728,747,806.12	Pledge and freeze	As deposits for bank acceptance bills, letter of credit and loans, deposit reserves or frozen accounts and frozen by litigation, etc.
Accounts receivable					207,017,962.56	206,147,426.74	Pledge	As collateral for borrowings
Total	50,825,748,655.67	30,083,002,921.80			50,512,222,315.83	34,335,657,743.61		

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 the prior year (RMB)	Change
646,248,442.80	83,000,000.00	678.61%

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
Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)	Investment activities using self-own funds	Merger and acquisition	512,000,000.00	99.67%	Self-owned funds	Subsidiary	Long-term	Investment	Completed	N/A	-123,907.54	No	N/A	N/A
Shandong Chenming Paper Sales Co., Ltd.	Sale of paper and pulp	Capital increase	98,500,000.00	100.00%	Self-owned funds	Subsidiary	Long-term	Trading	Completed	N/A	-61,891,406.17	No	N/A	N/A
Shouguang Chenming Art Paper Co., Ltd.	Production of machine-made paper	Merger and acquisition	35,748,442.80	100.00%	Self-owned funds	Subsidiary	Long-term	Manufacturing	Completed	N/A	-79,859,825.92	No	N/A	N/A
Total	-	-	646,248,442.80	-	-	-	-	-	-	-	-141,875,139.63	-	-	-

IV Management Discussion and Analysis

VII. Analysis of investments (Continued)

3. Material non-equity investments in progress 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 period	Profit or loss from changes in fair value for the period	Accumulated changes in fair value included in equity	Amount acquired during the period	Amount disposed of during the period	Profit or loss during the reporting period	Book value as at the end of the reporting period	Accounting item	Source of fund
Domestic and foreign shares	09668	China Bohai Bank	195,684,817.15	Measured at fair value	37,259,325.70	2,419,619.63	-157,054,799.71			1,531,796.04	38,791,121.74	Held-for-trading financial assets	Self-owned funds
Total			195,684,817.15	-	37,259,325.70	2,419,619.63	-157,054,799.71			1,531,796.04	38,791,121.74	-	-

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 general meeting (if any)

N/A

(2) Derivative investments

Applicable Not applicable

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

IV Management Discussion and Analysis

VIII. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

Counterparty(ies)	Assets disposed of	Disposal date	Transaction consideration (RMB'0,000)	Net profit contribution to the Company from the beginning of the period up to the asset disposal date (RMB'0,000)	Effect of disposal on the Company	Net profit contribution to the Company on asset disposal as a percentage of total net profit	Pricing basis of disposal of assets	Related party transaction or not	Relationship with counterparty(ies) (applicable to related party transactions)	Relevant asset title fully transferred or not	Relevant creditors' rights and debts fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Zhejiang Exheng Real Estate Co., Ltd.	22 properties in Fatum Apartment	June 2025	8,591.60	-6,514.33	Facilitating the Company to integrate resources, optimising its asset structure, concentrating its strengths, focusing on core business, and improving quality and efficiency.	0.73%	Market price	No	N/A	Yes	Yes	Yes	N/A	N/A

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 equity interest 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
Shouguang Shengjia Investment Co., Ltd.	Shandong Shengming Corporate Management Co., Ltd. and subsidiaries	December 2025	107,339.69	-290,434.53	Facilitating the Company to integrate resources, optimising its asset structure, concentrating its strengths, focusing on core business, and improving quality and efficiency.	0.43%	Appraised value	No	N/A	No	Yes	13 December 2025	http://www.cninfo.com.cn

3. Material non-equity investments during the reporting period

Applicable Not applicable

IV Management Discussion and Analysis

IX. Analysis of major subsidiaries and investees

Applicable Not applicable

Major subsidiaries 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	18,897,690,900.81	5,477,587,143.80	166,846,503.02	-2,308,273,067.37	-2,122,557,877.02
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper, culture paper, household paper and chemical pulp	4,801,045,519.00	14,904,551,168.47	6,636,211,615.95	3,431,543,810.39	-1,443,537,781.03	-1,093,225,282.26

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 operations and results
Zhanjiang Chenming Paper Co., Ltd.	Newly established	Net profit decreased by RMB509 million
Chenming International Trade Import and Export Co., Limited	Newly established	Effect on net profit was nil
Shanghai Hongtai Tengda Industrial Development Co., Ltd.	Newly established	Effect on net profit was nil
Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)	Merger and acquisition	Net profit decreased by RMB123,900
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Deregistration	Net profit decreased by RMB98.7536 million
Chenming Paper United States Co., Ltd.	Deregistration	Net profit decreased by RMB40.1269 million
Shouguang Wei Yuan Logistics Company Limited	Disposal	Net profit decreased by RMB3.7833 million
Shandong Shengming Corporate Management Co., Ltd. and subsidiaries	Disposal	Net profit decreased by RMB2,904 million

Particulars of major subsidiaries and investees

During the reporting period, the production base of Shouguang Meilun was shut down during the first three quarters and the Zhanjiang base remained idle throughout the year, which adversely affected the Company's overall revenue and profitability. To date, all production bases have resumed full operation and production. Moving forward, the Company will implement comprehensive cost reduction and efficiency enhancement, optimise its product portfolio, improve product quality, and step up market development efforts to further boost corporate profitability.

IV Management Discussion and Analysis

X. Structured entities controlled by the Company

Applicable Not applicable

XI. Outlook on the future development of the Company

The year 2025 marked the final year of China's "14th Five-Year Plan" and a year in which Chenming Group fought its way forward through industry headwinds. Over the past year, a combination of industry downturn, suspended operations at production bases and the imposition of other risk warnings left the Company in a severe operational distress. During this critical time, under the strong support from Party committees and governments at all levels and financial institutions, the Company comprehensively strengthened corporate management, adjusted the product mix in response to market conditions and pushed for the resumption of operation and production across its production bases. Meanwhile, the Company also actively engaged with financial institutions to implement interest rate reductions and loan extensions, and stepped up efforts to dispose of non-core assets for the thorough divestiture of assets related to its financial leasing business to mitigate operational risks. Standing at a new starting point, and guided by the leadership of the newly elected Party committee and the Board, the Company has established the "One-Two-Five" strategic development plan. This plan set one overarching goal of building a top-tier management team and delivering outstanding business performance, pursued through two main strategies of end-to-end cost reduction and efficiency enhancement as well as all-round new product development, together with five areas of focus: strengthening the development of the leadership and management teams to boost efficiency through managerial excellence; enhancing production capacity and support capabilities to boost efficiency by optimising and expanding the industrial ecosystem chain; advancing smart technology and digitalisation to boost efficiency by restructuring the production management system; strengthening reform and innovation capabilities to boost efficiency by refining and optimising institutional mechanisms; and strengthening brand building and credibility to boost efficiency through the capital market.

(I) Business Plan for 2026

The year 2026 marks the inaugural year of China's "15th Five-Year Plan" and serves as a pivotal year for the full execution of Chenming Group's "One-Two-Five" strategy. Standing at this new starting point, the Company will resolutely implement the "One-Two-Five" strategic development plan. Taking the "Year of Management Innovation" as a key driver, the Company will anchor itself to the goal of "building a top-tier management team and delivering outstanding business performance" by strengthening team building, deepening management reform and innovation, optimising the industrial ecosystem chain, restructuring the production management system, and cultivating brand credibility. The Company will go all out to stabilise operations, enhance quality and efficiency, and secure a decisive victory in its pursuit of high-quality development.

1. Strengthening the development of the leadership and management teams to boost efficiency through managerial excellence

Treating employees as the foremost element of management, the Company will focus on enhancing the professional, operational and execution capabilities of its leadership and management teams to facilitate the optimisation of its management team structure. It will establish benchmarks of excellence and organise management and staff to learn from exceptional teams across its bases and frontline market leaders to elevate the overall management level. It will also clearly define managerial responsibilities and enforce accountability to ensure all initiatives are effectively executed. A dynamic management framework has been established, characterised by "merit-based promotion or demotion of executives, performance-linked compensation and flexible workforce adjustments". This includes tenure-based and contract-based management for executives, optimised job rotation policies and grassroots-level assignments for executives to gain hands-on experience. Cross-training and rotation between different bases and departments will be promoted, with a last-place elimination system in place regardless of seniority or personal connections, to elevate the comprehensive competence of the entire workforce. Management leaders are expected to set a positive example through their actions and open-mindedness, fostering a work environment that is cohesive and highly efficient.

IV Management Discussion and Analysis

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

(I) Business Plan for 2026 (*Continued*)

2. Enhancing production capacity and support capabilities to boost efficiency by optimising and expanding the industrial ecosystem chain

In 2026, with a focus on “end-to-end cost reduction, full-chain efficiency enhancement and all-around innovation”, the Company will address support deficiencies, stimulate production momentum and drive the transition of production operations from being “scale-oriented” to “efficiency-oriented”, providing core support for restoring profitability. Firstly, the Company will optimise the production support system. Addressing the support issues at various production bases, the Company will prioritise resolving pain points such as the mismatch between shared auxiliary facilities and single production lines at the Jilin base, as well as shortages in forest resources and softwood pulp. By reinforcing staffing at the technical centre and systematically advancing industrial support development, the Company can ensure support capabilities meet the demands of new product development and capacity optimisation, thus improving the quality of production and operations. Secondly, the Company will deepen end-to-end cost reduction. Drawing on the advanced management experiences of top-tier enterprises, the Company will deeply tap into potential and enforce strict controls across all production stages by rigorously managing energy and material consumption to minimise ineffective usage. It will also foster a deep integration between production and sales to ensure that production staff understands market demands, paper machine performance and product changeover costs. This will align production with market dynamics, improving both production efficiency and product adaptability.

3. Advancing smart technology and digitalisation to boost efficiency by restructuring the production management system

In 2026, the Company will directly address the gap in IT capabilities compared to competitors by accelerating its digital and intelligent transformation. It will restructure the production management system through upgrades in data statistics and sample analysis to significantly enhance production automation and operational efficiency. While ensuring the stable operation of SAP, MES, BPM, and core network systems, the Company will comprehensively review business workflows to integrate core business areas outside system coverage and leverage IT to strictly control risks and close loopholes. It will steadily roll out and deeply optimise the unattended weighbridge and raw material management systems at the Zhanjiang and Jiangxi bases to accelerate the development and deployment of a production data collection system, advance the creation of a digital platform for full-process cost control, and refine the monitoring of costs related to auxiliary materials, energy and maintenance. By establishing a normalised mechanism for deep cost analysis, the Company will drive management upgrades through standardisation and digitisation. This digital and intelligent transformation will empower production to improve quality and efficiency, effectively generating returns from the restructured production management system.

IV Management Discussion and Analysis

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

(I) Business Plan for 2026 (*Continued*)

4. Strengthening reform and innovation capabilities to boost efficiency by refining and optimising institutional mechanisms

In 2026, taking the “Year of Management Innovation” as a key driver, the Company will adhere to the principle of keeping operations “simple, practical and efficient” and target institutional shortcomings to comprehensively deepen internal reforms. Spearheaded by the Enterprise Management Department, it will streamline and optimise mechanisms across the entire supply-production-sales chain. This will fully ignite the entrepreneurial spirit across all levels and continuously boost the Company’s internal drive. On the procurement front, guided by the goals of “resource optimisation, transparency enhancement and targeted cost reduction”, the Company will standardise oversight of the entire procurement process. It will improve supplier tiering and dynamic management mechanisms, enhance supply-demand coordination with production and sales, and unlock further potential for cost reduction and efficiency enhancement. On the production front, the Company will optimise capacity allocation and production workflows, strengthen full-process quality control with refined energy management, and advance smart manufacturing upgrades to boost both production efficiency and product quality. On the sales front, the Company will enhance its market layout and customer segmentation system, optimise sales incentives, and step up efforts in market research and channel expansion. This will allow the Company to accurately meet market demands and increase customer stickiness. By refining and optimising these institutional mechanisms, the Company will comprehensively elevate management and operational efficiency, providing a solid foundation for the Company’s sustained, healthy and high-quality development.

5. Strengthening brand building and credibility to boost efficiency through the capital market

In 2026, as the only company in China listed with A, B and H shares, the Company will continue to treat its brand and credibility as fundamental to its success. It will remain committed to operating under public oversight and work to comprehensively increase its recognition in the capital market. In terms of products, the Company will enhance its end-to-end quality control system to strictly prevent any quality issues from tarnishing its brand image. It will accelerate the optimisation and upgrading of its product portfolio, actively developing high-value-added products such as waterproof paper and cigarette cardboard to precisely meet market needs. By strengthening after-sales service and building a good market reputation, it aims to earn market trust through reliable products and exceptional services. In terms of corporate credit, the Company will enhance communication with creditors and implement debt repayment solutions, such as loan maturity extensions and repayment cycle adjustments. It will continuously optimise its debt structure, strictly control debt risks and safeguard its credit standing in the capital market. In terms of information disclosure, the Company will strictly adhere to regulatory requirements in Hong Kong and mainland China, ensuring that all disclosures are truthful, accurate, complete, timely and fair to increase information transparency. In terms of investor relations, the Company will proactively strengthen regular communication with investors through results briefing, hotlines and the EasyIR platform of the Shenzhen Stock Exchange to convey the Company’s value. This will continuously enhance the brand reputation, market credibility and capital market recognition, striving to maximise the Company’s value realisation.

The year 2026 is a decisive year carrying a critical mission and heavy responsibilities. The Company’s management team will strictly follow the “One-Two-Five” strategic development plan and focus on the principal business. With unwavering confidence and a determination to tackle challenges head-on, the team will pursue growth with a vigilant mind, drive execution through pragmatic efforts, and overcome obstacles with innovative approaches in all their might to usher in a new chapter of high-quality and sustainable development for the Company!

IV Management Discussion and Analysis

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

(II) Future capital requirements and source of funds

Future capital requirements of the Company will mainly focus on the continuous investment in existing production facilities for technological upgrades or capacity expansion, and capital requirements for business expansion and daily operations. In addition to part of the Company's own funds, the Company will also make full use of government guidance funds, policy support funds and syndicated loans as its sources of funds.

While focusing on the development of its principal activities of pulp production and papermaking, improving its business 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, equipment financing and other means, thus providing stable financial support for the operation and development of the Company.

(III) Potential risks and measures to be taken

1. Macroeconomic policy risk

As a crucial basic raw materials industry within the national economy, the paper industry's development is closely tied to national macroeconomic policies. In recent years, relevant competent authorities have issued a series of policies and regulations, including the Policy on the Development of the Paper Industry, aiming to improve the industrial structure, elevate product technology, promote energy conservation and emission reduction, and phase out outdated capacity. These have provided strong policy support for the industry's high-quality development. However, as China continues to transform and upgrade its economic structure and deepens the implementation of strategies such as the "dual-carbon" goals and environmental governance, future policies of the paper industry may undergo further adjustments. For instance, stricter requirements regarding environmental standards, raw material supplies and capacity controls could be introduced, potentially impacting the Company's production and operations as well as technological upgrades. Furthermore, shifts in macroeconomic policies, such as fiscal and financial policies, bank interest rates and import/export regulations, will also affect the Company's operations and development.

In response to the aforesaid risks, the Company will strengthen its policy analysis and closely monitor dynamic shifts in national industrial, fiscal and financial policies. It will remain anchored to its core direction of developing its principal business of pulp production and papermaking, adhere to an innovation-driven strategy, and align with policy directives to optimise its industrial structure and regional footprint. By building a highly collaborative and efficient industrial system, it aims to address the risks associated with industrial policy adjustments. Meanwhile, the Company will continue to strengthen lean management, control costs and expenses, broaden financing channels, optimise its capital structure, and improve overall operational quality to counter any risks arising from macroeconomic policy adjustments, including those in fiscal and financial domains.

2. Environmental risk

The transition towards green and low-carbon practices has become the core strategic direction for high-quality development in the paper industry. In recent years, the government has continuously intensified environmental governance, leading to increasingly stringent environmental requirements. Relevant competent authorities successively issued a series of policy documents, including the White Paper on the Sustainable Development of the Paper Industry in China, the Guiding Opinions on Accelerating the Establishment and Improvement of a Green, Low-Carbon and Circular Economic System, and the Opinions on Accelerating the High-Quality Development of Manufacturing Service Industry. These policies explicitly require the industry to embrace the circular economy, promote energy conservation and emission reduction, and achieve green, low-carbon development. As national environmental standards rise, companies in the industry further increase their investments in pollution control, which will raise the Company's operating costs in the short term.

IV Management Discussion and Analysis

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

(V) Potential risks and measures to be taken (*Continued*)

2. Environmental risk (*Continued*)

In response to the aforesaid risks, the Company firmly implements the national “dual carbon” policy and adheres to the development philosophy of “placing green development and environmental protection as its priority”. The Company integrates environmental requirements throughout its entire production and operational processes, widely adopting new technologies for energy conservation and emission reduction to ensure clean production and compliant waste discharge. At present, the Company adopts advanced “ultrafiltration membrane + reverse osmosis membrane” technology in the world and has completed a reclaimed water recycling membrane treatment project. The reclaimed water recycle rate exceeds 75%, with the treated water quality meeting drinking water standards. Meanwhile, the Company actively explores innovative models for comprehensive resource utilisation and circular industrial development by building a circular economy ecosystem of “resource – product – renewable resource”. It continuously refines its internal environmental management system and strengthens full-process environmental monitoring and dynamic control to prevent compliance risks.

3. Risk of price fluctuation of raw materials

The major raw materials of the paper industry are wood pulp and wood chips. Given China’s relative shortage of wood resources, the industry relies heavily on imported wood pulp and wood chips, making its development susceptible to fluctuations in international prices of wood pulp and wood chips. If the price of raw materials fluctuates sharply in the future, it will bring uncertainty to the control of production costs of papermaking enterprises, which will affect the business performance of these enterprises.

In response to the aforesaid risks, the Company remains committed to its strategic layout of a fully integrated pulp and paper industrial chain. By operating its own wood pulp production lines at its production bases in Shouguang, Zhanjiang, Huanggang and other regions, the Company ensures the stability and autonomy of its upstream raw material supply, thereby reducing reliance on external procurement. Furthermore, the Company has established a more comprehensive supply chain management mechanism. By implementing source procurement, closely monitoring the price trends of the raw materials market, and enhancing its market forecasting capabilities, the Company aims to minimise the impact of fluctuations in raw material prices on its production and operations.

4. Risk of intensified market competition

Although the paper industry has seen an accelerated phase-out of outdated production capacity after several rounds of environmental policy enforcement, this has continuously optimised the overall industry landscape and further improved market concentration. However, there remains the phenomenon of a large number of enterprises within the industry, structural and cyclical overcapacity for certain products, a predominance of mid-to-low-end products, and product homogeneity. In recent years, affected by factors such as supply shocks and weak downstream demand, the market prices of machine-made paper, especially white cardboard, have exhibited a fluctuating downward trend. This has intensified market competition within the industry, posing potential pressure on the Company’s profit margins.

IV Management Discussion and Analysis

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

(V) Potential risks and measures to be taken (*Continued*)

4. Risk of intensified market competition (*Continued*)

In response to the aforesaid risks, the Company will focus on technological innovation and product upgrading as its core drivers, continuously improve its production equipment, processing design and manufacturing techniques, and deepen its lean production management system to comprehensively enhance product quality stability and generate brand value. Meanwhile, the Company remains market-oriented, accurately identifying changes in downstream consumer demand to optimise its product portfolio. By manufacturing highly marketable products that meet diverse customer needs, the Company strives to develop a product structure characterised by high quality, precision, specialty, differentiation, and personalisation. This approach will increase product added value and profitability, thereby strengthening the Company's ability to withstand market competition risks.

5. Capital risk

The paper industry is capital-intensive. In recent years, the industry has seen concentrated capacity expansion, insufficient downstream demand and prominent supply-demand imbalances. This has caused a continuous decline in the prices of major paper products, especially white cardboard, resulting in lower profitability for paper enterprises. Against this backdrop, enterprises with high debt levels face increased operational pressure during industry downturns. If they encounter situations such as loan delays by financial institutions or the withdrawal of strategic investors, it could trigger temporary liquidity shortages. This, in turn, may lead to risks such as debt defaults, frozen accounts, litigations and other issues that could impact the Company's operations.

In response to the aforesaid risks, the Company will focus on its principal responsibilities and operations by stepping up efforts to dispose of non-core and inefficient assets to optimise its asset structure and increase cash inflows. It will actively communicate with financial institutions, broaden its financing channels through multiple avenues, and negotiate repayment solutions, such as loan extensions, interest rate reductions and extended interest settlement cycles, to alleviate debt repayment pressures and operational burdens on the Company. Furthermore, the Company will comprehensively deepen internal management reforms and innovation, promoting lean operations, cost reduction and efficiency enhancement. By leveraging its foundational strengths, the Company aims to boost its core profitability and risk-resistance capabilities for sustained and stable operations.

IV Management Discussion and Analysis

XII. Reception of surveys, 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
7 April 2025	Panorama • Interactive Platform for Investors Relationship	Online platform communication	Individuals and institutions	Investors attending the 2024 annual results briefing of the Company online	The Company's 2024 financial position, operating results, resumption of operation and production at production bases, future prospects, etc.	For details, please refer to the Investor Relations Activity Record Sheet on CNINFO (www.cninfo.com.cn)
15 May 2025	Panorama • Interactive Platform for Investors Relationship	Online platform communication	Individuals and institutions	Investors attending the 2025 online collective reception day for listed companies in the Shandong jurisdiction	The Company's financial position for 2024 and Q1 2025, the approval status of the syndicated loan, and the resumption of operation and production at production bases.	For details, please refer to the Investor Relations Activity Record Sheet on CNINFO (www.cninfo.com.cn)
15 September 2025	Conference room of the Company	On-site visit	Institutions	Sealand Securities, Minsheng Royal Fund and Huatai-PineBridge Investments	Progress on the resumption of operation and production at the Company's production bases, measures to resolve debt issues, progress on the disposal of non-core assets, future industry prospects, etc.	For details, please refer to the Investor Relations Activity Record Sheet on CNINFO (www.cninfo.com.cn)

XIII. Development and implementation of a market capitalisation management system and a valuation enhancement plan

Whether the Company has developed a market capitalisation management system?

Yes No

To effectively strengthen the market capitalisation management as a listed company, further standardise market capitalisation management practices, fully safeguard the legitimate rights and interests of the Company, investors and other stakeholders, and response to the encouragement under the Guidelines No. 10 for the Regulation of Listed Companies – Market Capitalisation Management for listed companies to establish a market capitalisation management system, the Company has formulated the Market Capitalisation Management System of Shandong Chenming Paper Holdings Limited in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange and other relevant laws and regulations, which was considered and approved at the twelfth meeting of the tenth session of the Board held on 31 March 2025.

For details, please refer to the Market Capitalisation Management System of Shandong Chenming Paper Holdings Limited disclosed on CNINFO on 1 April 2025 and the overseas regulatory announcement disclosed on the website of the Hong Kong Stock Exchange on 31 March 2025.

IV Management Discussion and Analysis

XIII. Development and implementation of a market capitalisation management system and a valuation enhancement plan (*Continued*)

Whether the Company has disclosed a valuation enhancement plan?

Yes No

To enhance the Company's investment value and shareholder returns, promote a reasonable reflection of the Company's intrinsic value in investment value, boost investor confidence, safeguard the interests of all shareholders, and facilitate high-quality development of the Company, the Valuation Enhancement Plan of Shandong Chenming Paper Holdings Limited was considered and approved at the twelfth meeting of the tenth session of the Board held by the Company on 31 March 2025. The specific measures under the Valuation Enhancement Plan are as follows:

(I) Financial optimisation

1. Debt restructuring: The Company will take the initiative to communicate with its creditors for extension of loan terms and reduction of interest rates, so as to alleviate the pressure on loan repayment in the short term. Provincial debt committees were established to agree on "no loan cancellations or delays" and further negotiate new credit facilities in the form of a syndicated loan specifically for resumption of operation and production, and interest rate reductions and extensions of debts to ensure sufficient liquidity for operations and production resumption of the Company.
2. Asset disposal: The Company will make every effort to revitalise and dispose of its existing assets. The Company will strengthen the disposal of assets in its non-principal business, establish an asset management centre, adjust and optimise internal management, divide asset disposal management areas by region, and assign responsibilities to individuals to improve the efficiency of asset disposal. The Company will also step up efforts to recover outstanding debts and pursue debtors with realisable assets through negotiation or legal means. For accounts receivable that are difficult to recover, the Company will resort to judicial channels to resolve the issues and strive to improve its liquidity.
3. Cost control: The Company will strengthen internal management, streamline production processes, and reduce costs in raw material procurement, energy consumption, and labour. For example, the Company will secure favourable procurement prices via long-term and stable cooperation with suppliers, and adopt advanced production equipment and technology to boost productivity and lower per-unit production costs.

(II) Business optimisation

1. Productivity recovery and adjustment: The Company will accelerate the resumption of production at Shouguang, Zhanjiang, Jilin and other key production bases, striving to achieve resumption of work and production as soon as possible to improve operating cash flow. The Company will adjust its product mix according to changes in market demand by reducing excess production capacity and increasing production focus on high-value-added products, such as special paper, to improve profitability.
2. Technological innovation and R&D: The Company will increase investment in the R&D of green paper products and special paper production technologies to develop new products with strong market competitiveness. Leveraging its advantages of "pulp and paper integration", the Company will develop pulp and paper products with greater environmental benefits and high performance, so as to meet the market demand for green and environmentally friendly paper products, and enhance the added value and market competitiveness of products.

IV Management Discussion and Analysis

XIII. Development and implementation of a market capitalisation management system and a valuation enhancement plan (*Continued*)

(III) Market and brand development

1. Market expansion: The Company will strengthen market research to gain deeper insights into domestic and international market demands, while expanding into emerging markets. Leveraging its advantages in scale and product quality, the Company will intensify promotional efforts in global markets to increase export share and enhance its international market influence.
2. Brand building: The Company will build a good corporate brand image by improving product quality, enhancing after-sales service, and participating in public welfare initiatives. The Company will actively promote its green and sustainable philosophy as well as technological innovation achievements to enhance its brand awareness and reputation, thereby increasing consumer recognition and loyalty toward its products.
3. Investor relations management: The Company will regularly disclose updates on information, including operational performance and development strategies, while strengthening communication and engagement with investors. Through investor roadshows, industry seminars and other events, the Company will showcase its growth potential and investment value to bolster investor confidence and attract more long-term investors.
4. Information disclosure optimisation: The Company will ensure the timeliness, accuracy and completeness of information disclosure by releasing operational data, updates on major projects, strategic plans and other information on a regular basis to meet investors' needs to know. Through periodic reports, interim announcements, investor briefings and other channels, the Company will demonstrate its core competitiveness and growth prospects to the market.

(IV) Strategic investment and cooperation

1. Strategic investor introduction: The Company will actively engage with domestic and international strategic investors to introduce capital, technology and management expertise, and optimise its shareholding structure and corporate governance. The introduction of strategic investors will provide additional resource support for the Company, thereby facilitating business development and valuation enhancement of the Company.
2. Industry consolidation and collaboration: The Company will pay attention to high-quality enterprises within the industry and pursue mergers, acquisitions and restructuring as and when appropriate to achieve resource integration and scale expansion, thereby strengthening its competitive position in the industry. The Company will also enhance collaboration with upstream and downstream partners to establish long-term, stable relationships, jointly navigate market changes and realise mutual benefits.

In conclusion, the Company will firmly uphold an investor-centric philosophy, diligently implement its valuation enhancement plan, and remain committed to long-term, sustainable, healthy and high-quality development. By reinforcing accountability, the Company will effectively safeguard the interests of its investors.

XIV. 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 2025.

I. Principal activities

Please refer to “I. 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 X “Financial Report” for the results of the Group for the year ended 31 December 2025.

III. Dividends

During the reporting period, as affected by shutdowns at some of the production bases, the Company recorded a year-on-year increase in shutdown losses and maintenance expenses, with a significant year-on-year decline in sales volume of machine-made paper. The Company made impairment provisions for certain assets, which impacted revenue and profit for the current period. Besides, the Company conducted impairment tests on the creditworthiness of its financial leasing customers out of prudence and in accordance with the relevant requirements of the Accounting Standards for Business Enterprises, and made provisions for bad debts of certain financial leasing activities, which further affected the profit for the current period. The net profit attributable to shareholders of the Company for 2025 was RMB-8,296 million. To focus on the development of its principal pulp production and paper making business, the Company divested all assets related to its financial leasing business in the fourth quarter of 2025. Since then, the Company no longer engaged in any financial leasing activities. Based on the operations in 2025 and taking into account the development plan for 2026, the Board proposed not to pay cash dividend, issue bonus shares and increase share capital from reserves in 2025 to satisfy the capital needs for day-to-day production and operation and enhance the risk resistance of the Company, thereby realising the sustainable, steady and healthy development of the pulp production and paper making, the principal activities 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 to be held on 15 May 2026 (the “AGM”).

IV. Closure of register of members

The register of members of the Company will be closed from Tuesday, 12 May 2026 to Friday, 15 May 2026 (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 AGM to be held on Friday, 15 May 2026, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company’s 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 Monday, 11 May 2026.

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 RMB0.00 (2024: RMB300,000.00) to non-profit making organisations.

V Directors' Report

VII. Subsidiaries

Please refer to “IX. Analysis of major subsidiaries and investees” under section IV “Management Discussion and Analysis” and “XVIII. Matters of significant of subsidiaries of the Company” under section VII “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 X “Financial Report” for the details of changes in property, plant and equipment of the Group for the year ended 31 December 2025.

IX. Share capital

Please refer to “I. Changes in shares” under section VIII “Changes in Share Capital and Shareholders” for details of changes in share capital of the Company for the year ended 31 December 2025.

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 2025, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB0.00 (2024: RMB1,086,188,080.67) as set out in “II. Financial Statements 1. Consolidated Balance Sheet” under section X “Financial Report”.

XII. Directors

As at 31 December 2025, the Directors of the Company were:

1. Executive Directors

Mr. Jiang Yanshan
Mr. Meng Feng (Employee representative Director)
Mr. Liu Peiji
Mr. Li Weixian
Ms. Zhu Yanli

2. Non-executive Directors

Mr. Song Yuchen
Ms. Wang Ying

V Directors' Report

XII. Directors (Continued)

3. Independent Non-executive Directors

Mr. Zhang Zhiyuan
Mr. Luo Xinhua
Mr. Wan Gang
Mr. Kong Pengzhi

According to the Articles of Association, Directors, including non-executive Directors, shall be elected at the general meetings, and the employee representative on the Board shall be democratically elected by the employees of the Company through the employee representative assembly, and there is no need to submit to the general meeting for deliberation. Their term of office of the Directors shall be three years from October 2025 to October 2028. 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' service contracts

All Directors have entered into service contracts with the Company for a term from 28 October 2025 to 28 October 2028.

None of the Directors have entered into any service contract with the Company or any of its subsidiaries which cannot be terminated by the Group within one year without payment of compensation other than statutory compensation.

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

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

In 2025, the Company had 27 Directors and Senior Management members in total, which included those who resigned during the reporting period. Their remuneration falls within the following ranges:

Range of remuneration (RMB)	Person
3.6 million to 4.0 million	
3.2 million to 3.6 million	
2.8 million to 3.2 million	
2.4 million to 2.8 million	1
2.0 million to 2.4 million	
1.6 million to 2.0 million	1
1.2 million to 1.6 million	1
0.8 million to 1.2 million	1
Below 0.8 million	23

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 and chief executives

As at 31 December 2025, the interests and short positions held by each of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept 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 shares of the Company
Directors			
Jiang Yanshan	Chairman, acting general manager	–	–
Meng Feng	Executive Director, deputy general manager	–	–
Liu Peiji	Executive Director, deputy general manager	–	–
Li Weixian	Executive Director, deputy general manager	362,100	0.01%
Zhu Yanli	Executive Director, deputy general manager, financial controller	–	–
Song Yuchen	Non-executive Director	–	–
Wang Ying	Non-executive Director	–	–
Zhang Zhiyuan	Independent non-executive Director	–	–
Luo Xinhua	Independent non-executive Director	–	–
Wan Gang	Independent non-executive Director	–	–
Kong Pengzhi	Independent non-executive Director	–	–

As at 31 December 2025, none of the Directors 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.

As at 31 December 2025, none of the Directors 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.

V Directors' Report

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

As at 31 December 2025, the following shareholders (other than the Directors 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"):

Name	Number of shares held (shares)	Approximate shareholding as a percentage of	
		Total share capital (%)	Class of shares (%)
Chenming Holdings Co., Ltd.	455,781,319 A shares (L)	15.50	26.70
Chenming Holdings (Hong Kong) Limited	210,717,563 B shares (L)	7.16	29.83
Chenming Holdings (Hong Kong) Limited	153,414,000 H shares (L)	5.22	29.04

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

Save as disclosed above, as at 31 December 2025, 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 "VIII. Personnel of the Company" under section VI "Corporate Governance, Environment and Society", 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. None of the Directors of the Company or their close associates or shareholders who are interested in more than 5% of the number of issued shares of the Company had any interest in major customers and major suppliers mentioned above.

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 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

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.

V Directors' Report

XXI. Directors' rights to purchase shares or debentures

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 2025.

XXIII. Major risk factors

Please refer to “(III) 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 VII “Material Matters” for details of material matters of the Company.

XXV. Future development

Please refer to the industry outlook in “II. Industry overview of the Company during the reporting period” and (I) Operating plan for 2026 and (II) 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 “XV. Disclosure of environmental information”, “XVI. Social responsibility” and “XVII. Consolidating and expanding the achievements of poverty alleviation and rural revitalisation” under section VI “Corporate Governance, Environment and Society” 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 2025 annual report.

XXVII. Purchase, sale and redemption of shares

The Company and any of 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 2025 have been reviewed by the Audit Committee of the Company.

V Directors' Report

XXX. Gearing ratio

As at 31 December 2025, the Company's gearing ratio (including minority interest) was 63.89%, representing a decrease of 4.06 percentage points from 59.83% for 2024.

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).

XXXI. Going concern basis

In compiling the accounts for the year ended 31 December 2025, 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 has issued an unqualified audit opinion with an emphasis of matter paragraph on the Company's 2025 annual financial report which is prepared on a going concern basis. Please refer to "I. Auditors' Report" and "IV. Basis of Preparation of the Financial Statements" under section X "Financial Report" for details.

XXXII. Connected Transaction

1. Acquisition of fund units in Chenming Huanggang Fund by Huanggang Technology

On 25 April 2025, the Company convened the twentieth extraordinary meeting of the tenth session of the Board, at which the Resolution on the Acquisition of 39.98% of the Units in Chenming Huanggang Fund by Huanggang Technology was considered and approved. Huanggang Technology, a majority-owned subsidiary of the Company, proposed to acquire 39.98% of the fund units in Chenming Huanggang Fund held by Changjiang Industrial Investment Fund at a consideration of RMB439,157,698.63. Changjiang Industrial Investment Fund, Huanggang Technology and Huanggang Chenming entered into the Fund Units Transfer Agreement. At the same time, Huanggang Chenming provided guarantee for the Huanggang Technology's obligation to pay in this transaction, and entered into the Guarantee Agreement and the Accounts Receivable Pledge Agreement with Huanggang Technology and Changjiang Industrial Investment Fund respectively. Huanggang Chenming shall provide joint and several liability guarantee for Huanggang Technology's obligation to pay, and shall provide guarantee for Huanggang Technology's obligation to pay the transfer consideration under the Fund Units Transfer Agreement by pledging the entrusted processing fee due from Huanggang Technology under the Entrusted Processing Agreement entered into between it and Huanggang Technology. The amount under guarantee was RMB439,157,698.63 and the guarantee period was 3 years. Upon completion of the transaction, the Company will, in aggregate, hold 99.95% of the fund units of Chenming Huanggang Fund, and the financial results of Chenming Huanggang Fund will continue to be consolidated in the Group's consolidated financial statements.

Chenming Huanggang Fund is a specialised investment fund established for the construction of Phase II project of Huanggang Chenming, a majority-owned subsidiary of the Company. The Company, through Zhanjiang Chenming (as a limited partner), a non-wholly-owned subsidiary, held 59.97% of the fund units of Chenming Huanggang Fund. Changjiang Industrial Investment Fund, as a limited partner, held 39.98% of the fund units of Chenming Huanggang Fund. Changjiang Industrial Investment Fund is a connected person of the Company at the subsidiary level, and the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Save as disclosed above, the Group did not enter into other connected transaction required under the Listing Rules of the Stock Exchange during the reporting period. The related party transactions entered into by the Group during the year ended 31 December 2025 are set out in "5. Related party transactions" of "XIV. Related parties and related party transactions" under section X "Financial Report". Save as disclosed above, the related party transactions did not constitute connected transactions or continuing connected transactions (as defined in the Listing Rules of the Stock Exchange) of the Group.

For details, please refer to the announcement of the Company dated 25 April 2025.

XXXIII. Major investment, acquisition and disposal

1. Divestment of assets related to the financial leasing business

(1) Summary of the disposal

On 12 December 2025, the Company convened the first extraordinary meeting of the eleventh session of the Board, at which the Resolution in relation to the Divestment of Assets Related to the Financial Leasing Business was considered and approved. In order to further focus on the development strategy of pulp production and papermaking, its principal activities, and to facilitate its high-quality development, the Company divested all assets related to the financial leasing business. It transferred, by way of agreement, 100% equity interest in Shandong Chenming Leasing, 25% equity interest in Qingdao Chenming Leasing and 25% equity interest in Shanghai Chenming Leasing held by Chenming (HK), together with debts of RMB2,262.9561 million owed to its majority-owned subsidiary Zhanjiang Chenming Paper by Shandong Chenming Leasing to Shouguang Shengjia Investment Co., Ltd. ("Shengjia Investment"), a wholly state-owned enterprise under the Finance Bureau of Shouguang City. The machinery and equipment assets of the net carrying amount of RMB47.6275 million held under Shandong Chenming Leasing and located at Xuchang City, Henan Province were not included in the scope of the disposal. The total consideration for the transfer was RMB3,336.3530 million, including the equity transaction consideration of RMB1,073.3969 million and the debt transaction consideration of RMB2,262.9561 million.

On 15 December 2025, Zhanjiang Chenming Paper (as vendor of the target debts), Chenming (HK) (as vendor of the target equity interest) and Shengjia Investment (as purchaser) entered into the Equity and Debt Transfer Agreement. On 31 December 2025, the Company convened the 2025 second extraordinary general meeting, at which the Resolution in relation to the Divestment of Assets Related to the Financial Leasing Business was considered and approved. As at the end of the reporting period, the divestment of assets related to the financial leasing business had been approved by State-owned Assets Supervision and Administration Office of Shouguang City.

(2) Basis for determining the consideration

The consideration of the disposal was determined on normal commercial terms after arm's length negotiations between Zhanjiang Chenming Paper, Chenming (HK) and Shengjia Investment with reference to the following factors: (i) 100% of the appraised value of Shandong Chenming Leasing as at the valuation benchmark date (30 September 2025) of RMB785.1593 million based on valuation; (ii) 25% of the appraised value of Qingdao Chenming Leasing as at the valuation benchmark date (30 September 2025) of RMB1,152.9504 million based on valuation, whereas the remaining 75% of the appraised value of Qingdao Chenming Leasing was reflected in the appraised value of Shandong Chenming Leasing; (iii) 25% of the appraised value of Shanghai Chenming Leasing as at the valuation benchmark date (30 September 2025) of RMB-402.0298 million based on valuation, whereas the remaining 75% of the appraised value of Shanghai Chenming Leasing was reflected in the appraised value of Qingdao Chenming Leasing; (iv) 25% equity interest in Shanghai Chenming Leasing to be transferred at nil consideration because the corresponding registered capital of Shanghai Chenming Leasing was not been paid up by the then shareholder (i.e. Chenming (HK)); and (v) the carrying amount of the target debts of RMB2,262.9561 million.

The appraised value of the entire equity interest of Shandong Chenming Leasing, Qingdao Chenming Leasing and Shanghai Chenming Leasing were arrived at by an independent valuer using the asset-based approach. The scope of the valuation covered all the audited assets and liabilities reported by Shandong Chenming Leasing, Qingdao Chenming Leasing and Shanghai Chenming Leasing but excluded the machinery and equipment of Shandong Chenming Leasing of the net carrying amount of approximately RMB47.6275 million as such assets did not form part of the subject matter of the disposal and continued to be owned by the Company after the disposal. There was no limitation on the scope of work performed by the independent valuer.

V Directors' Report

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

1. Divestment of assets related to the financial leasing business *(Continued)*

(3) Consideration and payment terms

The total consideration of the disposal shall be RMB3,336.3530 million, which comprises of (i) RMB785.1593 million for 100% equity interest in Shandong Chenming Leasing; (ii) RMB288.2376 million for 25% equity interest in Qingdao Chenming Leasing; (iii) RMB0 for 25% equity interest in Shanghai Chenming Leasing; and (iv) RMB2,262.9561 million for the target debts. Shengjia Investment shall pay the consideration in cash in accordance with the following payment schedule:

No.	Payee	Nature	Date	Amount (RMB'0,000)
1	Chenming (HK) Limited	Equity transfer payment	Effective date of the agreement	33,000
2	Chenming (HK) Limited	Equity transfer payment	2026/12/25	20,000
3	Chenming (HK) Limited	Equity transfer payment	2027/12/25	20,000
4	Chenming (HK) Limited	Equity transfer payment	2028/12/25	25,000
	Chenming (HK) Limited	Equity transfer payment	2029/12/25	9,339.69
5	Zhanjiang Chenming Paper Co., Ltd.	Debt transfer payment	2029/12/25	15,660.31
6	Zhanjiang Chenming Paper Co., Ltd.	Debt transfer payment	2030/12/25	30,000
7	Zhanjiang Chenming Paper Co., Ltd.	Debt transfer payment	2031/12/25	30,000
8	Zhanjiang Chenming Paper Co., Ltd.	Debt transfer payment	2032/12/25	30,000
9	Zhanjiang Chenming Paper Co., Ltd.	Debt transfer payment	2033/12/25	40,000
10	Zhanjiang Chenming Paper Co., Ltd.	Debt transfer payment	2034/12/25	40,000
11	Zhanjiang Chenming Paper Co., Ltd.	Debt transfer payment	2035/12/25	40,635.30
Total				333,635.30

(4) Summary of the reasons for and effects of the disposal

In order to focus on its core responsibilities and principal activities, the Company proposed to divest all assets in relation to its financial leasing business. The disposal aligned with the Company's overall development strategy and would improve its asset-liability structure, revitalise existing assets and allowed the Company to focus resources on developing its principal activities. This would in turn enhance the Company's profitability and improve core competitiveness, therefore driving high-quality sustainable development. Shengjia Investment had good credibility and high ability of obligation performance. The terms of the Equity and Debt Transfer Agreement were determined on normal commercial terms after arm's length negotiations between the parties, were fair and reasonable and in the interest of the Company and its shareholders as a whole.

After completion of the disposal, the daily business operation of the Group will remain substantially unchanged prior to and after completion. The Group will continue to focus on its principal activities of production and sale of paper products. Upon completion of the disposal, the Company will cease to have any interest in Shandong Chenming Leasing, Qingdao Chenming Leasing and Shanghai Chenming Leasing. The financial results of Shandong Chenming Leasing, Qingdao Chenming Leasing and Shanghai Chenming Leasing will cease to be included in the consolidated financial statements of the Group. The net proceeds from the disposal are proposed to be used for the repayment of loan(s) of the Group in instalments in accordance with the payment schedule of the consideration of the disposal.

For details, please refer to the announcements of the Company dated 15 December 2025 and 23 December 2025.

V Directors' Report

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

2. Acquisition of fund units in Chenming Huanggang Fund by Huanggang Technology

During the reporting period, the Company convened the twentieth extraordinary meeting of the tenth session of the Board, at which the Resolution on the Acquisition of 39.98% of the Units in Chenming Huanggang Fund by Huanggang Technology was considered and approved. Huanggang Technology proposed to acquire 39.98% of the fund units in Chenming Huanggang Fund held by Changjiang Industrial Investment Fund at a consideration of RMB439,157,698.63. Please refer to the matter mentioned in "XXXII. Connected Transaction" in this section "Directors' Report" for details.

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, Environment and Society

I. Corporate governance

During the reporting period, in order to fully implement the requirements of the newly amended Company Law of the People's Republic of China and its supporting rules, further enhance the Company's standardised operations, and improve its governance structure, the Company revised its corporate governance structure in strict compliance with the Company Law of the People's Republic of China, the Transitional Arrangements for the Implementation of the Supporting Rules of the New Company Law of the China Securities Regulatory Commission, the Guidelines for the Articles of Association of Listed Companies, and other laws, regulations, and normative documents by abolishing the supervisory committee of the Company, the functions and powers of which as stipulated under the Company Law of the People's Republic of China being exercised by the Audit Committee of the Board. In addition, 1 employee representative Director was appointed among the members of the Board. At the same time, the Company amended more than 30 systems, including the Articles of Association, the Procedural Rules of the Board Meeting, and the Procedural Rules of the General Meeting, to ensure that the Company's regulatory system was fully aligned with and effectively converged with the latest regulatory requirements. As at the end of the reporting period, the Company's corporate governance practices were in compliance with the relevant normative documents on corporate governance issued by the China Securities Regulatory Commission, the Shenzhen Stock Exchange and the Stock Exchange.

(i) Independence of the Controlling Shareholder and the Company

During the reporting period, the Company strictly complied with the laws and regulations including the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the requirements of the Articles of Association. The Company maintained complete independence from its controlling shareholder, beneficial controllers and related parties in respect of business, personnel, assets, organisations and finance. The Board and all internal functional departments operated independently, and fully complied with the relevant provisions of the CSRC on the independence of listed companies. The controlling shareholder and the beneficial controllers strictly regulated their behaviour, exercised shareholders' rights and performed shareholders' obligations in accordance with the law, and did not interfere with the Company's independent operate decisions, nor did they misappropriate the Company's funds or assets in violation of regulations, or otherwise act in a manner detrimental to the interests of the Company and minority shareholders.

(ii) Shareholders and Operation of General Meetings

The Company convened and held general meetings in strict compliance with the requirements of the Rules Governing Shareholders' General Meetings of Listed Companies, the Articles of Association and the Procedural Rules of the General Meeting. During the reporting period, the Board of the Company convened and held 1 annual general meeting, and 2 extraordinary general meetings, and both on-site voting and online voting were provided as channels to participate in each general meeting to fully safeguard the rights of all shareholders especially minority shareholders to participate in and make decisions on important matters of the Company. The meetings also conducted separate vote counting of the votes on the resolutions of minority shareholders and disclosed them in a timely and public manner to enable minority shareholders to enjoy equal status with other shareholders, thereby ensuring that all shareholders enjoyed equal legal status and effectively safeguard the legitimate rights and interests of minority shareholders.

VI Corporate Governance, Environment and Society

I. Corporate governance (*Continued*)

(iii) Directors and Operation of the Board

During the reporting period, the Company successfully concluded the leadership re-election of the eleventh session of the Board, in line with the needs of governance structure adjustments, simultaneously revised the Procedural Rules of the Board Meeting and the implementation rules of each special committee. The eleventh session of the Board comprised 11 Directors with a reasonable and compliant composition, which consisted of 5 executive Directors (including 1 employee representative Director), 2 non-executive Directors, and 4 independent Directors (including one accounting professional). There are four special committees, namely the Strategic and Sustainable Development Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee, under the Board of the Company. In particular, the Audit Committee assumed the supervisory functions stipulated under the Company Law and duly performed its supervisory duties. During the reporting period, the Company held a total of 8 Board meetings and 11 meetings of the special committees of the Board. The Board convened Board meetings in strict compliance with the Articles of Association and the Procedural Rules of the Board Meeting and other relevant regulations and the implementation rules of each special committee. All directors discharged their duties diligently, attended meetings of the Board and the special committees under the Board on time, and faithfully and diligently perform their duties, actively participated in operational and management decisions, and faithfully safeguarded the legitimate rights and interests of the Company and all shareholders.

(iv) Operation of the independent director system

During the reporting period, the independent Directors of the Company were accountable to all shareholders and performed their duties independently, impartially and prudently in strict compliance with the relevant requirements of the Articles of Association, the Administrative Rules for Independent Directors, the Guidelines of Self-Regulatory Regulations for Listed Companies on the Shenzhen Stock Exchange No. 1 – Standardised Operation of the Companies Listed on the Main Board. There was no absence or attendance by proxy at Board meetings during the reporting period. During the year, the independent Directors of the Company convened two special meetings of independent Directors, at which they conducted prior review of matters including the proposed annual caps for routine related party transactions for 2025 and the transfer of fund units in Chenming Huanggang Fund to Huanggang Technology. Upon obtaining the consent of more than half of the independent Directors, such matters were then submitted to the Board for consideration, thereby effectively ensuring the compliance and fairness of the relevant transactions.

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

The Company earnestly fulfils its information disclosure obligation, effectively strengthens the confidentiality of inside information, and improve the registration and management of personnel with inside information to improve the quality of information disclosure in accordance with the relevant requirements of the Articles of Association, the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, and the Listing Rules of Hong Kong Stock Exchange. During the reporting period, the Company issued periodic reports, interim announcements, and related documents through the information disclosure media designated by the CSRC, and the website of the Hong Kong Stock Exchange to ensure that information disclosure was true, accurate, complete, timely and fair. At the same time, the Company strictly complied with the Registration Management System of Insider Information and the Regulations on Suspension and Exemption of Information Disclosure by Listed Companies. For matters involving periodic reports and exemption circumstances, the Company duly completed the registration and filing of personnel with inside information as required. The Directors, Senior Management and other personnel with inside information of the Company strictly complied with the relevant requirements, there was no case where they used inside information to buy and/or sell the shares of the Company during the reporting period.

VI Corporate Governance, Environment and Society

I. Corporate governance (*Continued*)

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

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

Yes No

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

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

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

1. In terms of business: the Company had its own R&D, production, procurement and sales system, and was completely independent of controlling shareholder in terms of business. The controlling shareholder and its other subsidiaries were not competitors of the Company in the same industry.
2. In terms of personnel: the Company had an independent workforce, and had established independent departments including the procurement department, production department, sales department, finance department, administration department, and research and development 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 deputy general managers, secretary to the Board, financial controller and other Senior Management members of the Company 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 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, 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, Environment and Society

III. Competition in the industry

Applicable Not Applicable

IV. Directors and Senior Management

1. General information

Name	Gender	Age	Position	Status of Office	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
Jiang Yanshan	M	52	Chairman	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Meng Feng	M	54	Director, deputy general manager	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Liu Peiji	M	42	Director, deputy general manager	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Li Weixian	M	44	Director	In office	15 June 2022	28 October 2028	362,100	0	0	0	362,100	N/A
			Deputy general manager	In office	28 October 2025	28 October 2028						
			General manager	Resigned	08 October 2023	28 October 2028						
Zhu Yanli	F	48	Director, deputy general manager, financial controller	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Song Yuchen	M	61	Director	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Wang Ying	F	51	Director	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Zhang Zhiyuan	M	63	Independent director	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Luo Xinhua	M	61	Independent director	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Wan Gang	M	53	Independent director	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Kong Pengzhi	M	44	Independent director	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A
Dong Lianming	M	51	Deputy general manager	In office	28 October 2025	28 October 2028	219,600	0	0	0	219,600	N/A
			Financial controller	Resigned	12 October 2018	28 October 2028						
Ge Guangming	M	55	Deputy general manager	In office	15 June 2022	28 October 2028	0	0	0	0	0	N/A
Yuan Xikun	M	40	Deputy general manager	In office	28 October 2025	28 October 2028	89,700	0	0	0	89,700	N/A
			Secretary to the Board	In office	16 May 2018	28 October 2028						
Guo Qinyan	M	48	Deputy general manager	In office	28 October 2025	28 October 2028	0	0	0	0	0	N/A

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management (Continued)

1. General information (Continued)

Name	Gender	Age	Position	Status of Office	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
Chu Hon Leung	M	43	Company secretary (Hong Kong)	In office	11 June 2019	28 October 2028	0	0	0	0	0	N/A
Hu Changqing	M	60	Chairman	Resigned	08 November 2024	28 October 2025	792,857	0	0	0	792,857	N/A
Li Xingchun	M	60	Vice Chairman	Resigned	11 June 2019	28 October 2025	2,000,000	0	0	0	2,000,000	N/A
Li Feng	M	52	Director	Resigned	19 June 2020	28 October 2025	1,356,027	0	0	0	1,356,027	N/A
			Deputy general manager	Resigned	15 June 2022	28 October 2025						
Han Tingde	M	57	Director	Resigned	11 June 2019	28 October 2025	0	0	0	0	0	N/A
Li Chuanxuan	M	48	Director	Resigned	11 June 2019	28 October 2025	0	0	0	0	0	N/A
Li Zhihui	F	67	Independent director	Resigned	15 June 2022	28 October 2025	0	0	0	0	0	N/A
Sun Jianfei	M	53	Independent director	Resigned	11 June 2019	28 October 2025	0	0	0	0	0	N/A
Yin Meiqun	F	55	Independent director	Resigned	11 June 2019	28 October 2025	0	0	0	0	0	N/A
Yang Biao	M	46	Independent director	Resigned	11 June 2019	28 October 2025	0	0	0	0	0	N/A
Li Zhenzhong	M	52	Deputy general manager	Resigned	20 March 2011	28 October 2025	746,400	0	0	0	746,400	N/A
Li Mingtang	M	58	Deputy general manager	Resigned	15 June 2022	28 October 2025	150,000	0	0	0	150,000	N/A
Total	–	–	–	–	–	–	5,716,684	0	0	0	5,716,684	–

Other explanations: The Company is currently in a transitional stage of risk resolution; the Company has decided not to appoint the general manager for the time being upon prudent assessment. To ensure the normal conduct of the Company's operations, Mr. Jiang Yanshan, the Chairman of the Board, will perform the duties of the general manager during the vacancy period until the general manager is appointed in accordance with the prescribed procedures. The commencement date of his acting as general manager is 28 October 2025.

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management (*Continued*)

1. General information (*Continued*)

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

Yes No

Changes of Directors and Senior Management of the Company

Applicable Not Applicable

Name	Position	Type	Date	Reason
Jiang Yanshan	Chairman	Elected	28 October 2025	The new session
Meng Feng	Director	Elected	28 October 2025	The new session
	Deputy general manager	Appointed	28 October 2025	The new session
Liu Peiji	Director	Elected	28 October 2025	The new session
	Deputy general manager	Appointed	28 October 2025	The new session
Li Weixian	Deputy general manager	Appointed	28 October 2025	The new session
	General manager	Resigned upon expiry of the term	28 October 2025	The new session
Zhu Yanli	Director	Elected	28 October 2025	The new session
	Deputy general manager, financial controller	Appointed	28 October 2025	The new session
Song Yuchen	Director	Elected	28 October 2025	The new session
Wang Ying	Director	Elected	28 October 2025	The new session
Zhang Zhiyuan	Independent director	Elected	28 October 2025	The new session
Luo Xinhua	Independent director	Elected	28 October 2025	The new session
Wan Gang	Independent director	Elected	28 October 2025	The new session
Kong Pengzhi	Independent director	Elected	28 October 2025	The new session
Dong Lianming	Deputy general manager	Appointed	28 October 2025	The new session
	Financial controller	Resigned upon expiry of the term	28 October 2025	The new session
Yuan Xikun	Deputy general manager	Appointed	28 October 2025	The new session
Guo Qinyan	Deputy general manager	Appointed	28 October 2025	The new session
Hu Changqing	Chairman	Resigned upon expiry of the term	28 October 2025	The new session
Li Xingchun	Vice Chairman	Resigned upon expiry of the term	28 October 2025	The new session
Li Feng	Director, deputy general manager	Resigned upon expiry of the term	28 October 2025	The new session
Han Tingde	Director	Resigned upon expiry of the term	28 October 2025	The new session
Li Chuanxuan	Director	Resigned upon expiry of the term	28 October 2025	The new session
Li Zhihui	Independent Director	Resigned upon expiry of the term	28 October 2025	The new session
Sun Jianfei	Independent Director	Resigned upon expiry of the term	28 October 2025	The new session
Yin Meiqun	Independent Director	Resigned upon expiry of the term	28 October 2025	The new session
Yang Biao	Independent Director	Resigned upon expiry of the term	28 October 2025	The new session
Li Zhenzhong	Deputy general manager	Resigned upon expiry of the term	28 October 2025	The new session
Li Mingtang	Deputy general manager	Resigned upon expiry of the term	28 October 2025	The new session

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management (*Continued*)

2. Employment

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

1. Brief biographies of Directors

(1) Brief biographies of executive Directors

Mr. Jiang Yanshan is a PRC national without permanent right of abode outside the PRC. He is a member of the Communist Party of China and holds a bachelor's degree. Previously, he served as the deputy director and director of the general office of the Finance Bureau of Shouguang City, the director of the Tax and Fiscal Policy Research Center of Shouguang City, a Party Group member of the Finance Bureau of Shouguang City, and the chief of the promotion section of the National Vegetable Standard Quality Center (全國蔬菜標準質量中心推廣科科長). Currently, he is the chairman and a deputy secretary of the Party branch of Chenming Holdings, and the Chairman of the Company.

Mr. Meng Feng is a PRC national without permanent right of abode outside the PRC. He is a member of the Communist Party of China and graduated with a diploma. Previously, he served as a deputy general manager and general the manager of Wuhan Chenming, the general manager of Jiangxi Chenming, a deputy general manager of the Company, the general manager of Taicang Nine Dragons Co., Ltd.(太倉玖龍有限公司) and the general manager of Dongguan Nine Dragons Co., Ltd.(東莞玖龍有限公司). He has received a number of honours, such as the Nanchang May Day Labour Medal (南昌市五一勞動獎章), the Weifang May Day Labour Medal for Enriching the People and Prospering Weifang (濰坊市富民興濰五一勞動獎章), and the Suzhou May Day Labour Medal (蘇州市五一勞動獎章). Currently, he is a director of Chenming Holdings, and an executive Director (employee representative Director) and a deputy general manager of the Company.

Mr. Liu Peiji is a PRC national without permanent right of abode outside the PRC. He is a member of the Communist Party of China and holds a master's degree. Previously, he served as the deputy director and chief of the legal section of the general office of the Comprehensive Law Enforcement Bureau of the Cultural Market of Shouguang City (壽光市文化市場綜合執法局), deputy director of the Shouguang City Sewage Treatment Fees Collection Office (壽光市污水處理費徵收辦公室), member of the Party Working Committee of Shuangwangcheng Ecological Economic Zone (雙王城生態經濟園區) in Shouguang City, director of the general office of the Mechanized Forest Farm (機械林場辦公室), member of the Party Committee, secretary of the Disciplinary Committee, and director of the dispatched supervision office of Hou Town, Shouguang City, secretary of the Party Committee and director of the Marine and Chemical Industry Service Center of Shouguang City (壽光市海洋化工產業服務中心), and the chairman of the People's Congress of Yingli Town, Shouguang City. Currently, he is a director and a deputy secretary of the Party branch of Chenming Holdings, and an executive Director and a deputy general manager of the Company.

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management (*Continued*)

2. Employment (*Continued*)

1. Brief biographies of Directors (*Continued*)

(1) Brief biographies of executive Directors (*Continued*)

Mr. Li Weixian, is a PRC national without permanent right of abode outside the PRC. He holds a master's degree. He joined the Company in 2002 and had held positions including deputy manager of a sales company of the Company, manager of a sales company, general manager of the Jiangsu region of a sales company, Chairman of a household paper company, product general manager of a sales company, deputy marketing director, marketing director, deputy general manager of the Group, chairman of the financial division of the Group, and the general manager of the Company. Currently, he is a director of Chenming Holdings, and an executive Director and a deputy general manager of the Company.

Ms. Zhu Yanli is a PRC national without permanent right of abode outside the PRC. She is a member of the Communist Party of China and holds a bachelor's degree. Previously, she served as the cashier and accountant of Shouguang Branch of China United Network Communications Corporation Limited, financial controller of Shandong Dongbao Steel Pipe Co., Ltd.* (山東東寶鋼管有限公司), assistant to the president of Shouguang Sub-branch and general manager of the Wealth Management Department of Weifang Branch of China Minsheng Bank, president of Shouguang Sub-branch of Ping An Bank, general manager of the Retail Department and Operations Department of Weihai City Commercial Bank Weifang Branch, and deputy general manager and financial controller of Shandong Molong Petroleum Machinery Co., Ltd. Currently, she is a director of Chenming Holdings, and an executive Director, a deputy general manager and the financial controller of the Company.

(2) Brief biographies of non-executive Directors

Mr. Song Yuchen is a PRC national without permanent right of abode outside the PRC. He is a member of the Communist Party of China and holds a doctoral degree. Currently, he is a professor at the School of Business and Management of Jilin University, a doctoral advisor, and a leading professor Kuang Yaming Scholar Awards at Jilin University. He has published over 100 academic papers in various CSSCI and SSCI publications such as Financial Research (金融研究), Economist (經濟學家), Reform (改革), Finance and Economics (財經科學), Finance Research Letters, and Pacific-Basin Finance Journal, and authored Construction, Empirical Research and Application of Market Effective Cycle Theory (市場有效周期理論的構建、實證及應用) (selected into the National Achievements Library of Philosophy and Social Sciences). He proposed the renowned "Market Effective Cycle Theory" and received multiple awards. Currently, he is a non-executive Director of the Company.

Ms. Wang Ying is a PRC national without permanent right of abode outside the PRC. She holds a bachelor's degree. Previously, she served as the financial controller of Qingzhou Hulinggu Cultural Tourism Development Co., Ltd (青州胡林古文化旅遊發展有限公司). Currently, she is an auditor at Shandong Shiji Yuanfei Accounting Firm Co., Ltd. (山東世紀鵬飛會計師事務所有限公司), and financial controller of Shandong Shiji Yuanfei Credit Rating Co., Ltd. (山東世紀鵬飛信用評估有限公司), Weifang Puhui Assets Appraisal Firm (General Partnership) (濰坊普惠資產評估事務所(普通合夥)), the Shandong Branch of Zhongshuiwang (Beijing) Certified Public Accountants (Special General Partnership) (中稅網(北京)會計師事務所(特殊普通合夥)山東分所), and a non-executive Director of the Company.

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management (*Continued*)

2. Employment (*Continued*)

1. Brief biographies of Directors (*Continued*)

(3) Brief biographies of independent non-executive Directors

Mr. Zhang Zhiyuan is a PRC national without permanent right of abode outside the PRC. He is a member of the Communist Party of China and holds a doctoral degree. He is a Level-2 Professor (二級教授) and a doctoral advisor, an expert enjoying special government allowance from the State Council, an expert of the Shandong Provincial Decision-Making Advisory Committee (2023-2026), an expert consultant for the Standing Committee of the People's Congress of Shandong Province (2023-2027), and the chief expert at the Key Discipline of Finance recognised by Shandong Province. He has been selected as a High-end Financial Talent of Shandong Province and a High-end Think Tank Talent of Shandong Province. Currently, he is the dean of the Industrial Development Research Institute of Shandong University of Finance and Economics, the dean of the Shandong Fiscal Strategy Research Institute (a Key New Think Tank of Shandong Province), and the dean of the China Art Finance Research Institute (中國藝術金融研究院), and the president of the Shandong Regional Economics Society. He concurrently serves as an independent director of Shandong Wit Dyne Health Co., Ltd. (000915.SZ) and an independent Director of the Company.

Mr. Luo Xinhua is a PRC national without permanent right of abode outside the PRC. He is a member of the Communist Party of China and holds a postgraduate degree. Previously, he served as assistant dean of the School of Management of Shandong University, deputy director of the MBA Education Center of Shandong University, deputy director of the Professional Master Education Center of the School of Management (管理學院專業碩士教育中心), director of the EDP Center, and head of the Accounting Research Institute. Currently, he is the director of the Professional Manager Research Center of Shandong University, holds a Ph.D. in Management, and is a Professor of Accounting and a master's advisor. He concurrently serves as an independent director of Sansec Technology Co. Ltd. (688489.SH), Jinlei Technology Co., Ltd. (300443.SZ), and ZHONGTAI FUTURES Company Limited (01461.HK), and an independent Director of the Company.

Mr. Wan Gang is a PRC national and a member of the Communist Party of China without permanent right of abode outside the PRC. He holds a master's degree. Previously, he served as the deputy general manager of the Accounting Department and Operations Management Department of China Construction Bank Qingdao Branch, general manager of the Accounting Department and Business Department of China CITIC Bank Qingdao Branch, assistant to the president of Chang'an International Trust Co., Ltd. (長安國際信託股份有限公司), and vice president of Zhongtai Trust Co., Ltd. Currently, he is the chairman of Zhongcai Longma (Beijing) Management Consulting Co., Ltd. (中財龍馬(北京)管理諮詢有限公司). He concurrently serves as an independent director of Tanac Automation Co., Ltd. (300461.SZ), and an independent Director of the Company.

Mr. Kong Pengzhi is a PRC national without permanent right of abode outside the PRC. He is a member of the Communist Party of China and holds a doctoral degree. Previously, he served as the deputy dean of the MBA School of Shandong University of Finance and Economics. Currently, he is a master's advisor at Shandong University of Finance and Economics, deputy dean of the Yellow River College of Business, director of the Low Carbon Strategy and Policy Research Center of International School of Low Carbon Studies, industrial economic consultant for Taihua Intelligence Industry Group Co., Ltd (泰華智慧產業集團股份有限公司), and an independent Director of the Company.

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management (*Continued*)

2. Employment (*Continued*)

2. Brief biographies of Senior Management

The profiles of Mr. Li Weixian, Mr. Liu Peiji, Mr. Meng Feng, deputy general managers of the Company, and Ms. Zhu Yanli, a deputy general manager and the financial controller of the Company, are set out in their respective biographies as executive Directors.

Mr. Dong Lianming is a PRC national without permanent right of abode outside the PRC. He 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, and the financial controller of the Company. He is currently a deputy general manager of the Company.

Mr. Ge Guangming is a PRC national without permanent right of abode outside the PRC. He is a member of the Communist Party of the PRC. He joined the Company in 1995 and had held positions as 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. Yuan Xikun is a PRC national without permanent right of abode outside the PRC. He 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 Group, the manager of the information disclosure section, the security affairs representative, and a deputy chief of the securities investment department. He is currently a deputy general manager and the secretary to the Board of the Company.

Mr. Guo Qinyan is a PRC national without permanent right of abode outside the PRC. He holds a bachelor's degree. He joined the Company in 1995 and had held positions as the director in the production department of the Group, chief of the production department and deputy general manager of Jilin Chenming, the general manager of the forestry company, the general manager of the financial leasing company, assistant to the president and vice president of the Group. He is currently a deputy general manager of the Company.

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management (*Continued*)

2. Employment (*Continued*)

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

Mr. Chu Hon Leung is a PRC national and resident of Hong Kong, China. He 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 as an internal consultant for leading Chinese asset management companies. In addition to Shandong Chenming Paper Holdings Limited, he also served as joint company secretary of three other listed companies in Hong Kong. He has been a practicing lawyer in Hong Kong since 2009 and currently works for Li & Partners.

Controlling shareholder and beneficial controller concurrently serving as Chairman and general manager of the Company

Applicable Not applicable

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
Jiang Yanshan	Chenming Holdings Company Limited	Chairman	5 November 2025	19 November 2027	No
Li Weixian	Chenming Holdings Company Limited	Director	19 November 2024	19 November 2027	No
Liu Peiji	Chenming Holdings Company Limited	Director	5 November 2025	19 November 2027	No
Zhu Yanli	Chenming Holdings Company Limited	Director	5 November 2025	19 November 2027	No
Meng Feng	Chenming Holdings Company Limited	Director	27 January 2026	19 November 2027	No
Explanation of the employment at the Nil shareholder of the Company					

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management (Continued)

2. Employment (Continued)

2. 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
Wang Ying	Shandong Shiji Yuanfei Accounting Firm Co., Ltd.	Auditor	May 2018		No
Wang Ying	Shandong Shiji Yuanfei Credit Rating Co., Ltd.	Financial controller	May 2025		Yes
Wang Ying	Weifang Puhui Assets Appraisal Firm (General Partnership) Shandong Branch of Zhongshuiwang (Beijing) Certified Public Accountants (Special General Partnership)	Financial controller	May 2025		No
Wang Ying	Shandong Wit Dyne Health Co., Ltd.	Independent director	December 2024		No
Zhang Zhiyuan	Sansec Technology Co. Ltd.	Independent director	17 August 2021	30 December 2027	Yes
Luo Xinhua	Jinlei Technology Co., Ltd.	Independent director	13 October 2023	12 October 2026	Yes
Luo Xinhua	ZHONGTAI FUTURES Company Limited	Independent director	27 October 2021		Yes
Luo Xinhua	Shandong Pengda Ecological Technology Co., Ltd.	Independent director	22 June 2022		Yes
Luo Xinhua	Zhongcai Longma (Beijing) Education Consulting Co., Ltd. (中財龍馬(北京)教育諮詢有限公司)	Independent director	July 2022		Yes
Wan Gang	Longma Changlian (Beijing) Management Consulting Co., Ltd. (龍馬暢聯(北京)管理諮詢有限公司)	Director, manager	10 August 2018		Yes
Wan Gang	Zhongcai Longma (Beijing) Management Consulting Co., Ltd.	Director, manager	11 July 2022		No
Wan Gang	Beijing Boying Management Consulting Co., Ltd. (北京博濠管理諮詢有限公司)	Director, manager, financial controller	10 August 2018		No
Wan Gang	Hebei Chenming Zhongjin Real Estate Development Co., Ltd.	Director	20 January 2025		No
Dong Lianming		Director	20 October 2014		No
Explanation of the employment at other units of the Company		Nil			

Sanctions against current Directors 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, Environment and Society

IV. Directors and Senior Management (*Continued*)

3. Remuneration of Directors and Senior Management

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

- (1) Determination basis for remuneration of Directors 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. As approved at the 2022 first extraordinary general meeting and the 2025 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 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 and non-executive Directors are reimbursed as expensed.
- (2) Decision process for remuneration of Directors 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 and non-executive Directors 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, Environment and Society

IV. Directors and Senior Management (Continued)

3. Remuneration of Directors and Senior Management (Continued)

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

Unit: RMB'0,000

Name	Gender	Age	Position	Status	Total remuneration before tax received from the Company	Total deferred remuneration amount	Receipt of remuneration from related parties of the Company or not
Jiang Yanshan	M	52	Chairman	In office	5.60	2.07	No
Meng Feng	M	54	Director and deputy general manager	In office	14.85	0.29	No
Liu Peiji	M	42	Director and deputy general manager	In office	5.57	2.06	No
Li Weixian	M	44	Director and deputy general manager	In office	79.63	91.31	No
Zhu Yanli	F	48	Director and deputy general manager, financial controller	In office	6.14	2.30	No
Song Yuchen	M	61	Director	In office	3.33	0.00	No
Wang Ying	F	51	Director	In office	3.33	0.00	No
Zhang Zhiyuan	M	63	Independent Director	In office	3.33	0.00	No
Luo Xinhua	M	61	Independent Director	In office	3.33	0.00	No
Wan Gang	M	53	Independent Director	In office	3.33	0.00	No
Kong Pengzhi	M	44	Independent Director	In office	3.33	0.00	No
Dong Lianming	M	51	Deputy general manager	In office	36.93	41.28	No
Ge Guangming	M	55	Deputy general manager	In office	54.26	71.95	No
Yuan Xikun	M	40	Deputy general manager and secretary to the Board	In office	34.30	26.69	No
Guo Qinyan	M	48	Deputy general manager	In office	12.52	2.05	No
Chu Hon Leung	M	43	Company secretary (Hong Kong)	In office	0.00	0.00	No
Hu Changqing	M	60	Chairman	Resigned	145.49	103.45	No
Li Xingchun	M	60	Vice Chairman	Resigned	6.00	0.00	Yes
Li Feng	M	52	Director and deputy general manager	Resigned	13.23	2.12	No
Han Tingde	M	57	Director	Resigned	8.34	8.33	No
Li Chuanxuan	M	48	Director	Resigned	8.34	8.33	No
Li Zhihui	M	67	Independent Director	Resigned	8.34	8.33	No
Sun Jianfei	M	53	Independent Director	Resigned	8.34	8.33	No
Yin Meiqun	F	55	Independent Director	Resigned	8.34	8.33	No
Yang Biao	M	46	Independent Director	Resigned	8.34	8.33	No
Li Zhenzhong	M	52	Deputy general manager	Resigned	36.05	48.79	No
Li Mingtang	M	58	Deputy general manager	Resigned	9.51	1.65	No
Total	—	—	—	—	530.10	445.99	—

Note: The above income represents the income of Directors and Senior Management during their tenure.

VI Corporate Governance, Environment and Society

IV. Directors and Senior Management *(Continued)*

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

Assessment basis for actual remuneration of all Directors and Senior Management as at the end of the reporting period	Determined based on the Company's operating results, completion of performance indicators and individual performance.
Assessment completion status for actual remuneration of all Directors and Senior Management as at the end of the reporting period	Completed
Deferred payment arrangement for actual remuneration of all Directors and Senior Management as at the end of the reporting period	In view of the fact that during the reporting period, the Company was in a critical stage of resumption of operation and production and mitigation of debt risks, and having taken into account the actual operation and results of the Company, the remuneration of certain Directors and senior management was deferred.
Clawback or forfeiture arrangement for actual remuneration of all Directors and senior management at the end of the reporting period	Nil
Other explanation	
<input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not applicable	

VI Corporate Governance, Environment and Society

V. Performance of Directors during the reporting period

1. 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 in person	Attendance at Board meetings by communication	Attendance at Board meetings by proxy	Absence from Board meetings	Absent from Board meetings twice in a row (in person)	Attendance at general meetings
Jiang Yanshan	3	1	2	0	0	No	2
Meng Feng	3	1	2	0	0	No	1
Liu Peiji	3	1	2	0	0	No	2
Li Weixian	8	1	7	0	0	No	3
Zhu Yanli	3	1	2	0	0	No	2
Song Yuchen	3	1	2	0	0	No	2
Wang Ying	3	1	2	0	0	No	2
Zhang Zhiyuan	3	1	2	0	0	No	2
Luo Xinhua	3	1	2	0	0	No	2
Wan Gang	3	1	2	0	0	No	2
Kong Pengzhi	3	1	2	0	0	No	2
Hu Changqing	5	0	5	0	0	No	2
Li Xingchun	5	0	5	0	0	No	1
Li Feng	5	0	5	0	0	No	0
Han Tingde	5	0	5	0	0	No	2
Li Chuanxuan	5	0	5	0	0	No	2
Li Zhihui	5	0	5	0	0	No	2
Sun Jianfei	5	0	5	0	0	No	2
Yin Meiqun	5	0	5	0	0	No	0
Yang Biao	5	0	5	0	0	No	2

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).

2. Objections from Directors on related issues of the Company

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

Yes No

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

VI Corporate Governance, Environment and Society

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

3. 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 of suggestions related to the Company from the Directors

During the reporting period, all Directors of the Company devoted to their duties diligently in strict compliance with the requirements of the laws and regulations, regulatory documents and the systems of the Company such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association and the Procedural Rules of the Board Meeting. They actively attended Board meetings, meetings of special committees under the Board, and general meetings, at which they carefully considered various resolutions, and prudently made scientific decisions, and expressed clear opinions on all matters under consideration, with no dissenting or abstaining votes. They closely monitored matters such as the resumption of operation and production at the Company's production bases, the provision for impairment of assets, corporate governance and internal control management, conducted on-site inspections of production bases, understood the operation of restarted production lines and the status of product production and sales, and provided constructive suggestions for the Company's operation and development by leveraging their professional expertise. The members of the Audit Committee had fully communicated with Grant Thornton (Special General Partnership), the auditor of the Company on the timetable, key concerns and audit scope of the annual report, raised requirements on the independence of the audit work and the staffing of the audit team, so as to effectively safeguard the legitimate rights and interests of the Company and all shareholders.

VI Corporate Governance, Environment and Society

VI. 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 duties performed	Details of objection
Audit Committee	Yin Meiqun, Li Zihui and Sun Jianfei	3	31 March 2025	Consideration of the 2024 Annual Report Full Text and Summary of the Company, the 2024 Self-assessment Report on Internal Control of the Company, the 2024 Financial Final Accounts Report of the Company, the Report on the Assessment of the Accounting Firm's Performance for 2024 and the Audit Committee's Performance of Supervisory Responsibilities, the Resolution on Re-appointment of Auditor for 2025, and the Resolution on Provision for Impairment of Assets in the Second Half of 2024	Consent to submission to the Board for consideration	Reporting to the Board on the Audit Committee's performance of its supervisory responsibilities for, and communication with Grant Thornton (Special General Partnership) before, during and after the audit of the annual report for 2024, endorsed the audit opinion issued by the auditor on the Company's internal control and financial reporting, assessment of its performance for 2024; in addition, review of the independence and qualifications of the auditor, consent to re-appointing Grant Thornton (Special General Partnership) as the Company's auditor for 2025.	Nil
			29 April 2025	Consideration of the 2025 First Quarterly Report of the Company	Consent to submission to the Board for consideration	Review of the 2025 First Quarterly Report of the Company.	Nil
			8 August 2025	Consideration of the 2025 Interim Report Full Text and Summary of the Company	Consent to submission to the Board for consideration	Review of the 2025 Interim Financial Report of the Company, with a particular focus on the Company's external guarantees and financial transactions with related parties in the first half of 2025.	Nil
	Luo Xinhua, Zhang Zhiyuan and Wang Ying	2	28 October 2025	Consideration of the Resolution in Relation to the Appointment of the Financial Controller of the Company	Consent to submission to the Board for consideration	Qualification review of the proposed financial controller, including her professional background, work experience and relationship with the Company. Upon review, Ms. Zhu Yanli was qualified to serve as the financial controller.	Nil
			30 October 2025	Consideration of the 2025 Third Quarterly Report of the Company and the Resolution on Provision for Impairment of Assets in the First Nine Months of 2025	Consent to submission to the Board for consideration	Review of the 2025 Third Quarterly Report of the Company and paying attention to the provision for impairment of assets for the first three quarters	Nil

VI Corporate Governance, Environment and Society

VI. 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 duties performed	Details of objection
Nomination Committee	Li Zhihui, Hu Changqing and Yin Meiqun	1	10 October 2025	Consideration of the Resolution in Relation to the Election of Candidates for Non-Independent Directors of the Eleventh Session of the Board, and the Resolution in Relation to the Election of Candidates for Independent Non-Executive Directors of the Eleventh Session of the Board	Consent to submission to the Board for consideration	Qualification review of the candidates for the eleventh session of the Board, and none of the candidates were found to be in circumstances as stipulated by laws, regulations or other normative documents that would disqualify them from serving as Directors.	Nil
	Wan Gang, Jiang Yanshan1 and Kong Pengzhi		28 October 2025	Consideration of the Resolution in Relation to the Appointment of Deputy General Managers of the Company, the Resolution in Relation to the Appointment of the Financial Controller of the Company, The Resolution in Relation to the Appointment of the Secretary to the Board of the Company and the Company Secretary, the Resolution in Relation to the Appointment of the Securities Affairs Representatives of the Company	Consent to submission to the Board for consideration	Review of the appointment materials of the proposed deputy general managers, financial controller, board secretary and company secretary, and securities affairs representatives, and no circumstances were found that would render the candidates unsuitable to serve as Senior Management, company secretary or securities affairs representatives.	Nil
Remuneration and Assessment Committee	Yang Biao, Li Xingchun and Sun Jianfei	2	31 March 2025	Consideration of the Resolution on 2024 Remuneration Distribution of the Directors, Supervisors and Senior Management	Consent to submission to the Board for consideration	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 2024.	Nil
			10 October 2025	Consideration of the Resolution in relation to Allowances for Non-Executive Directors and Independent Non-Executive Directors of the Eleventh Session of the Board	Consent to submission to the Board for consideration	With reference to the remuneration of directors of other listed companies of similar scale, and taking into account the Company's actual operating conditions and duties performed, the allowances for non-executive Directors and independent non-executive Directors were confirmed.	Nil

VI Corporate Governance, Environment and Society

VI. 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 duties performed	Details of objection
Strategic and Sustainable Development Committee	Hu Changqing, Yang Biao and Li Weixian	1	31 March 2025	Consideration of the 2024 Environmental, Social and Governance Report of the Company	Consent to submission to the Board for consideration	Review of the 2024 Environmental, Social and Governance Report of the Company	Nil
	Jiang Yanshan, Meng Feng and Kong Pengzhi	1	12 December 2025	Consideration of the Resolution in Relation to the Divestment of Assets Related to the Financial Leasing Business.	Consent to submission to the Board for consideration	Review of the audit report and valuation report related to the assets under this transaction, verification of the basic information of the counterparty and its relationship with the Company, examination of the contents of the agreement to be signed, and analysis of the necessity, reasonableness and fairness of the transaction.	Nil

VII. Performance of duties by the Audit Committee

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

Yes No

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

VI Corporate Governance, Environment and Society

VIII. 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	1,987
Number of staff at major subsidiaries (person) as at the end of the reporting period	7,005
Total number of staff (person) as at the end of the reporting period	8,992
Total number of staff receiving remuneration during the period (person)	8,992
Number of retired/resigned staff the Company and its major subsidiaries are required to compensate (person)	0

Specialty composition

Category of specialty composition	Number of people (person)
Production staff	5,926
Sales staff	349
Technical staff	359
Financial staff	127
Administrative staff	1,086
Other staff	1,145
Total	8,992

Education level

Category of education level	Number of people (person)
Postgraduate and above	18
Undergraduate	774
Post-secondary	2,121
Technical secondary and below	6,079
Total	8,992

VI Corporate Governance, Environment and Society

VIII. Personnel of the Company (Continued)

2. Remuneration policies

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

3. Training programmes

The Company 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

IX. 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

Was the profit distribution plan (including no dividend and no capitalisation of reserves) considered by the Board during the Reporting Period?

Yes No

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.

VI Corporate Governance, Environment and Society

X. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company

Applicable Not applicable

1. Equity incentive

(1) Overview of the 2020 Restricted A Share Incentive Scheme

① Purpose of the Share Incentive Scheme

In order to further improve the corporate governance structure of the Company, promote the establishment and improvement of long-term incentive and restraint mechanisms, fully mobilise the enthusiasm, responsibility and mission of the directors, core technology and business key personnel, and bond the interests of Shareholders, the Company and individual operators together effectively, making all parties to attend to the long-term development of the Company and work together for it; at the same time, in order to further promote the long-term behaviour of decision-makers and operators, promote the sustainable and steady development of the Company, and maximise the value of the Company and shareholders, the 2020 Restricted A Share Incentive Scheme was formulated, on the premise of fully protecting the interests of Shareholders and on the principle of income equivalent to contribution, and in compliance with the relevant requirements under the laws and regulations such as the Company Law and the Securities Law, regulatory documents and the Articles of Association, combined with the existing management systems of the Company, including the remuneration mechanism and performance appraisal system.

② Participants under the Share Incentive Scheme

The number of the participants under the 2020 Restricted A Share Incentive Scheme shall be 111, specifically including:

- (i) Directors, senior management members of the Company, (ii) key technical (business) employees of the Company, and (iii) the persons who, in the opinion of the Board, are qualified. The participants under the 2020 Restricted A Share Incentive Scheme exclude independent non-executive Directors, Supervisors and Shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children. Among the above participants, a director or senior management member must have been elected at a general meeting or engaged by the Board. All participants should be engaged, employed or hired by the Company or any of the branch or subsidiary of the Company at the time of granting under the Share Incentive Scheme and during the appraisal period. All of the participants under the Incentive Scheme shall not participate in an incentive scheme of any other listed company concurrently and any of the participants who has participated in an incentive scheme of any other listed company shall not participate in the Incentive Scheme. No other persons who are not Directors, nor employees of the Company are qualified as participants.

③ Number of shares granted and the grant price

The Company issued and granted 79.6 million restricted A shares to 111 participants on 29 May 2020 under the 2020 Restricted A Share Incentive Scheme (Draft) of the Company. This grant shall be one-off in nature without reserved portion. The grant price of the restricted shares shall be RMB2.85 per share. A participant may purchase the restricted shares of the Company issued by the Company to the Participants at RMB2.85 per share. During the reporting period, the total shares to be issued under the Scheme represented approximately 0% of the shares in issue (excluding the treasury shares) of the Company.

VI Corporate Governance, Environment and Society

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

1. Equity incentive *(Continued)*

(1) Overview of the 2020 Restricted A Share Incentive Scheme *(Continued)*

④ Basis of determination of the grant price

The grant price of the restricted shares granted by the Company via means of issuing additional shares under the Incentive Scheme shall be determined according to principle of fair market price, and shall be the higher of the followings:

- (i) 60% of the closing price of the shares of the Company on the last trading day before the date of the announcement of the Incentive Scheme;
- (ii) 60% of the average closing prices of the shares of the Company on the last 30 trading days before the date of the announcement of the Incentive Scheme;
- (iii) 60% of the average trading prices (the total transaction value for the last trading days divided by the total transaction volume for the last trading days) of the shares of the Company on the last trading day before the date of the announcement of the Incentive Scheme;
- (iv) 60% of the average trading price (the total transaction value for the last 20 trading days divided by the total transaction volume for the last 20 trading days) of the shares of the Company on the last 20 trading days before the date of the announcement of the Incentive Scheme; or
- (v) the nominal value of the shares of Company, being RMB1 per share.

Based on the above pricing principles, the grant price of the restricted shares to be granted under the Incentive Scheme shall be RMB2.85 per share.

The restricted shares granted to the participants shall be funded by themselves. The Company shall undertake not to provide loans, loan guarantee and any other form of financial assistance to the participants for the acquisition of the restricted shares under the Incentive Scheme.

⑤ Validity period and lock-up periods of the Share Incentive Scheme

The validity period of the Incentive Scheme shall commence on the date on which the registration of the grant of the restricted shares is completed and end on the date on which all the restricted shares granted to the participants are unlocked or repurchased and cancelled, which shall not exceed 60 months. On 14 July 2020, the Company completed the registration of the restricted shares granted under the Scheme with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The Incentive Scheme is valid until 14 July 2025. The lock-up periods of the restricted shares granted under the Incentive Scheme shall be 24 months, 36 months and 48 months from the date of registration of the restricted shares under the grant.

VI Corporate Governance, Environment and Society

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

1. Equity incentive *(Continued)*

(1) Overview of the 2020 Restricted A Share Incentive Scheme *(Continued)*

⑤ Validity period and lock-up periods of the Share Incentive Scheme *(Continued)*

The share awards granted under the Scheme do not have a vesting period. After 24 months from the date of completion of the registration of the grant of restricted shares granted under the Scheme, if the unlocking conditions of the restricted shares are satisfied, the participants will unlock in three phases within the next 36 months. Upon expiry of each lock-up period, the Company shall proceed with the unlocking for the participants who satisfy the unlocking conditions, and the restricted shares held by participants who do not satisfy the unlocking conditions shall be repurchased and cancelled by the Company. The table below sets out the unlocking period and unlocking schedule for the restricted shares under each grant:

Unlocking period	Description of the unlocking period	Percentage of the restricted shares to be unlocked of total number of the restricted shares granted
First unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date on which the registration of the grant of the restricted shares is completed and ending on the last trading day of the 36-month period from the date on which the registration of the grant of the restricted shares is completed	40%
Second unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date on which the registration of the grant of the restricted shares is completed and ending on the last trading day of the 48-month period from the date on which the registration of the grant of the restricted Shares is completed	30%
Third unlocking Period	Commencing from the first trading day after expiry of the 48-month period from the date on which the registration of the grant of the restricted shares is completed and ending on the last trading day of the 60-month period from the date on which the registration of the grant of the restricted shares is completed	30%

Note: The completion date of registration of the grant of the restricted A shares is 14 July 2020.

The participants correspond to the restricted shares that cannot be unlocked during the unlocking period, and cannot be deferred to the future years to unlock the restricted shares. These restricted shares shall be repurchased and cancelled by the Company. The repurchase price is the price granted for the restricted shares plus the bank loan interest rate for the same period.

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

1. Equity incentive *(Continued)*

(1) Overview of the 2020 Restricted A Share Incentive Scheme *(Continued)*

⑥ The maximum number of the shares to be granted to a participant

The total number of shares to be issued and granted under the Incentive Scheme during the validity period shall not exceed 10% of the total issued share capital of the Company and the total number of the restricted shares to be granted under the Incentive Scheme during the validity period to the participant shall not exceed 1% of the total issued share capital of the Company.

⑦ The period for the exercise of the share options by a participant under the scheme

Not applicable

⑧ The amount, if any, payable on application for or acceptance of an award and the period within which payment or notification of payment is to be made or the loan on application for an award is to be repaid

No payment is to be made on acceptance of an award.

(2) Relevant procedures performed under the 2020 Restricted A Share Incentive Scheme

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.

VI Corporate Governance, Environment and Society

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

1. Equity incentive *(Continued)*

(2) Relevant procedures performed under the 2020 Restricted A Share Incentive Scheme *(Continued)*

- 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 been removed from office, which failed to comply with the unlocking conditions. The total number of restricted shares granted to and held by the participants and not yet been unlocked was 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 9 October 2022, Grant Thornton (Special General Partnership) issued a Capital Verification Report (Zhi Tong Yan Zi (2022) No. 371C000576), in which they verified the change in the registered capital and paid – in capital (share capital) of the Company as of 30 September 2022. Verification result: As of 30 September 2022, the registered capital and paid-in capital (share capital) of the Company upon the change amounted to RMB2,979,742,200.00 and RMB2,979,742,200.00, respectively.

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, Environment and Society

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

1. Equity incentive (*Continued*)

(2) Relevant procedures performed under the 2020 Restricted A Share Incentive Scheme (*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 independent Directors of the Company issued independent opinions to agree with such resolutions. 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 10 November 2023, Grant Thornton (Special General Partnership) issued a Capital Verification Report (Zhi Tong Yan Zi (2023) No. 371C000518), in which they verified the change in the registered capital and paid-in capital (share capital) of the Company as of 18 October 2023. Verification result: As of 18 October 2023, the registered capital and paid-in capital (share capital) of the Company upon the change amounted to RMB2,956,813,200.00 and RMB2,956,813,200.00, respectively.

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

- ⑧ On 31 July 2024, the Company convened the first special meeting of independent Directors of the tenth session of the Board, the fifteenth extraordinary meeting of the tenth session of the Board and the sixth extraordinary meeting of the tenth session of the Supervisory Committee, at which the Resolution on the Failure Fulfilment of the Unlocking Conditions for the Third Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Restricted Shares was considered and approved. The results for 2023 of the Company failed to pass the performance appraisal targets at company level set for the third unlocking period. The Board of the Company repurchased and cancelled 22,257,000 restricted A shares that had been granted to 93 participants but not yet unlocked at a repurchase price of RMB2.5184172 per share (excluding the bank loan interest rate for the same term).

On 15 November 2024, Grant Thornton (Special General Partnership) issued a Capital Verification Report (Zhi Tong Yan Zi (2024) No. 371C000421), in which they verified the change in the registered capital and paid-in capital (share capital) of the Company as of 6 November 2024. Verification result: As of 6 November 2024, the registered capital and paid-in capital (share capital) of the Company upon the change amounted to RMB2,934,556,200.00 and RMB2,934,556,200.00, respectively.

On 18 December 2024, the Company completed the procedures for the repurchase and cancellation of the 15,357,000 restricted A shares held by 91 participants with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The procedures for the share repurchase, transfer and cancellation of the 6,900,000 restricted A shares held by 2 participants (both of whom had resigned) were still not completed as they were subject to judicial freeze.

VI Corporate Governance, Environment and Society

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

1. Equity incentive *(Continued)*

(3) Implementation of the equity incentive plan during the reporting period

As at the beginning and the end of the reporting period, the number of awards to be granted under authority of the Scheme was 0. During the reporting period, the Company did not grant any awards, and accordingly, the number of shares that may be issued in respect of awards granted under all schemes during the reporting period divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the reporting period is not applicable.

In November 2024, pursuant to the 2020 Restricted A Share Incentive Scheme (Draft), the Company made payments to all participants for the repurchase of restricted shares not yet unlocked for the third unlocking period under the 2020 Restricted A Share Incentive Scheme, and handled the share repurchase and cancellation procedures in accordance with the procedures. As at the end of the reporting period, the procedures for the share repurchase, transfer and cancellation of the 6,900,000 restricted A shares held by 2 participants (both of whom had resigned) with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited were still not completed as they were subject to judicial freeze. Save as disclosed above, during the reporting period, no other participants held any options or awards under the scheme.

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

Applicable Not applicable

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 the employee shareholding plan

Applicable Not applicable

3. Other employee incentive measure

Applicable Not applicable

VI Corporate Governance, Environment and Society

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

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

Yes No

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

In accordance with relevant requirements of the Company Law, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Basic Internal Control Norms for Enterprises and other laws and regulations and the Articles of Association, based on the actual situation of the Company, the Company had formulated a comprehensive internal system. It had timely amended and optimised its internal system based on the stricter management requirements and changes in internal control condition. The complete set of internal control system and information management procedures of the Company also applied to subsidiaries so as to ensure the operation and development of subsidiaries were in line with and contributing to the development strategies and overall plans of the Company.

Abnormalities in management and control of subsidiaries

Yes No

XIII. 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	31 March 2026
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	98%
Percentage of revenue included in assessment to revenue in consolidated financial statements of the Company	99.9%

VI Corporate Governance, Environment and Society

XIII. Assessment report on internal control or auditor's report on internal control *(Continued)*

1. Assessment report on internal controls *(Continued)*

Type	Basis for identifying deficiencies	
	Financial reporting	Non-financial reporting
Qualitative criteria	<p>① Indicators of material deficiencies in the internal control of financial reporting include: ineffective control environment; material loss to and adverse impact on the Company as a result of misconduct by Directors 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>

VI Corporate Governance, Environment and Society

XIII. Assessment report on internal control or auditor's report on internal control (Continued)

1. Assessment report on internal controls (Continued)

Type	Basis for identifying deficiencies	
	Financial reporting	Non-financial reporting
Quantitative criteria	General deficiencies: deviation of less than or equal to 0.1% from the target of accounting error/the total revenue; Major deficiencies: deviation of 0.1% – 0.5% from the target of accounting error/the total revenue; material deficiencies: deviation greater than 0.5%.	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: over RMB20,000,000.
Number of material deficiencies in financial reporting		0
Number of material deficiencies in non-financial reporting		0
Number of major deficiencies in financial reporting		0
Number of major deficiencies in non-financial reporting		0

2. Auditor's report on internal control

Applicable Not applicable

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

In our opinion, as of 31 December 2025, Chenming Paper maintained effective internal control over financial reporting in all material respects in accordance with the Basic Internal Control Norms for Enterprises and relevant regulations.

Disclosure of auditor's report on internal control	Disclosed
Date of disclosure of auditor's report on internal control	31 March 2026
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	Standard and unqualified opinion
Material deficiencies in non-financial reporting	No

Any non-standard opinions 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

Any non-standard audit opinions on internal control were issued during the reporting period or the prior year

Yes No

XIII. Assessment report on internal control or auditor's report on internal control (*Continued*)

2. Auditor's report on internal control (*Continued*)

Explanation of the causes of issues leading to non-standard audit opinions on internal control, rectification progress and related matters:

1. Explanation of the non-standard audit opinion on internal control issued by accountants in the prior year

A material weakness refers to a deficiency, or a combination of deficiencies, in internal control that may result in failure to timely prevent or detect and correct a material misstatement in the financial statements.

The management of Chenming Paper Company lacked adequate risk assessment or risk awareness, and failed to adopt effective and prudent measures in response to risks when they arose. As a result, Chenming Paper Company encountered liquidity difficulties in 2024, with overdue borrowings from financial institutions and overdue payments to suppliers, multiple bank accounts frozen, and several lawsuits and arbitration cases triggered by overdue debts. In addition, operation and production of certain production lines were suspended, exposing the Company to significant operational and financial risks.

The deficiencies in the management's risk assessment and response indicate weaknesses in Chenming Paper Company's risk assessment or control environment.

Effective internal control can provide reasonable assurance regarding the truthfulness and completeness of financial reporting and related information, whereas the above material weaknesses caused Chenming Paper Company's internal control to lose such function.

The management of Chenming Paper Company has identified the above material weaknesses and included them in the enterprise internal control evaluation report. The above weaknesses have been fairly reflected in all material respects. In the audit of Chenming Paper Company's 2024 financial statements, we have taken into account the impact of the above material weaknesses on the nature, timing and extent of audit procedures.

2. Explanation of rectification progress:

(I) Risk assessment and control environment rectification

Core target: Improve the corporate governance structure, establish a full-level, standardised risk assessment mechanism, strengthen the risk awareness of all staff, address defects in the control environment through top-level design, and reinforce the foundation of internal controls.

1. Improve the corporate governance and decision-making structure, and establish a full-level risk assessment mechanism

The Company amended systems and documents such as the Internal Control System, the Decision Making System to Substantial Transaction and the Decision Making System to External Guarantee. It has fully analysed its internal and external risk factors, and established a multi-dimensional risk identification system covering market risk, credit risk, financial risk, operational risk, etc. Centring on core targets such as compliant operation, asset security and truthful disclosure of data, the Company defined the Board's overall role in the formulation and execution of internal controls, covering the four major dimensions consisting of core internal control framework, critical control activities, disclosure inspection, and accountability. The Company also formulated special control rules for high-risk areas such as subsidiaries, related party transactions and guarantees.

XIII. Assessment report on internal control or auditor's report on internal control (Continued)

2. Auditor's report on internal control (Continued)

2. Explanation of rectification progress: (Continued)

(I) Risk assessment and control environment rectification (Continued)

2. Deepen Party-building guidance and management reforms to enhance governance efficiency

The Company concluded the leadership re-election and succession process for the Group's Party committee, allocated sufficient competent members to the committee, defined the Party organization's decision-making status in the corporate governance structure, and enhanced the policies for "two-way entry and cross-appointment" between the Party committee and the Board, so as to ensure that the Party committee could consider major matters in advance, including core areas such as strategic planning, investment and financing, thus achieving the organic integration of political oversight and professional decision-making.

The Company concluded the election of the new session of the Board and the appointment of the management. For the eleventh session of the Board, the total number of Directors concurrently serving as senior management personnel of the Company and being served by employee representatives is less the half of the total number of Directors, while the number of independent non-executive Directors is no less than one third of the total number of Board members, which ensures that the Board can conduct productive discussions and make scientific, swift and prudent decisions.

3. Strengthen the risk awareness of the management and enhance the risk awareness training for key positions

The Company incorporated internal control effectiveness and risk control achievements into the performance appraisal of the management and key positions, linking them directly to remuneration, appointment and dismissal. It regularly organised compliance training on internal controls and risks for Directors, senior management and key personnel in finance, treasury, legal and procurement. Through case analysis, expert lectures and other formats, the training focuses on areas including debt management, fund allocation, response to overdue debts and litigation handling.

(II) Targeted resolution for liquidity and debt risks

Core target: With "cost reduction, capital revitalisation, resolution of overdue debts, and restoration of the capital chain" as the core, the Company addressed its liquidity difficulties and reduced its financial and operational risks through organised debt restructuring and refined funding management.

1. Syndicated loan for supporting the resumption of operation and production

A syndicate was established by 8 banks including China Construction Bank, Bank of Communications and Industrial Bank to provide a new syndicated loan of RMB2.31 billion for assisting the Company in resumption of operation and production. Bank of Jilin provided a special credit of RMB217 million to assist Jilin Chenming in resumption of operation and production.

2. Formulate and implement the debt restructuring and cost reduction plan

The Company coordinated its financing plans and optimised its financing structure. It proactively negotiated with banks and non-bank financial institutions for loan term extensions, interest rate reductions and adjustments to repayment cycles, etc. Among 109 banks and financial leasing companies, 90 have agreed to reduce the interest rate or extend the loan terms, accounting for 82.57% of the total. It is expected to reduce finance costs by approximately RMB600 million every year.

XIII. Assessment report on internal control or auditor's report on internal control (Continued)

2. Auditor's report on internal control (Continued)

2. Explanation of rectification progress: (Continued)

(II) Targeted resolution for liquidity and debt risks (Continued)

3. Strengthen centralised fund control and cash flow forecasting mechanisms

The Company implemented comprehensive capital planning management, enforced rigorous capital approval, and established monthly funding plans with weekly breakdowns on utilization plan. It coordinated and planned the use of funds, adjusted the monthly capital spending plans and actual spending across production bases, improving the accuracy of plan execution and effectively securing the capital requirements for the production and operation of each production base.

4. Prudently address overdue debts, litigation and arbitration cases, and account freezes

The Company reviewed each overdue borrowing, accounts payable, and litigation case, formulating tailored disposal plans for each debt and case. It negotiated instalment payments, debt-for-goods swaps, and extended credit terms with suppliers to stabilise its supply chain and minimise new litigation and preservation actions. For frozen accounts and assets, the Company sought releases and lifting of preservation measures through the provision of security, settlements, instalment performance, and other means to restore normal settlement and operating activities. By the end of 2025, the total amount of overdue obligations remained essentially flat compared to the beginning of 2025, with overdue amounts to banks, finance leasing companies and supply chain entities reduced by RMB330 million. The Company had reached settlements over most overdue debts to financial institutions.

The Company also strengthened account management, performing a comprehensive review of its accounts and closing redundant and dormant accounts. A tiered account management system had been established, standardising approval authorities and strengthening dynamic monitoring to ensure that funds are used for designated purposes.

(III) Resumption of production and operation, and implementation of internal controls

Core target: Advance the resumption of operation and production across the production bases in an orderly manner, recover the Company's ability to generate its own working capital, while strengthening internal controls through the core areas of sales and procurement, in order to prevent operational risks and improve operating cash flows.

1. Orderly resumption of production and core business operations

In 2025, the Huanggang production base was in normal operation, while the Shouguang production base, the Jiangxi production base and the Jilin production base resumed full operation gradually. The Zhanjiang production base fully resumed operation and production on 13 March 2026. As production bases have resumed operation and production, the Company's ability to generate its own working capital gradually recovers. In the subsequent production and operations, the Company will give priority to allocating production resources to core production lines, high-margin products, and orders with stable proceeds in order to gradually improve operating cash flows.

2. Strengthen internal controls in the area of sales

The Company enhanced its accounts receivable collection and customer credit management, strictly controlled the risks associated with new credit sales, and improved collection efficiency and the speed of capital recovery. The specific measures include:

XIII. Assessment report on internal control or auditor's report on internal control (Continued)

2. Auditor's report on internal control (Continued)

2. Explanation of rectification progress: (Continued)

(III) Resumption of production and operation, and implementation of internal controls (Continued)

2. Strengthen internal controls in the area of sales (Continued)

- (1) Strict customer onboarding: The Company conducted credit investigations for all customers and prioritise prepaid transactions to reduce credit risk.
- (2) Enhanced risk guarantees: Except for state-owned and listed company customers, other customers on invoice basis are required to provide joint and several guarantees by their legal representatives and de facto controllers. Real estate mortgage has been secured from 53 private customers with a total guaranteed amount of RMB140 million.
- (3) Standardised agreement management: All orders must be executed under the Company's standard purchase and sales agreement to clarify jurisdiction and ensure legal enforceability.
- (4) Dynamic monitoring of proceeds: Deliveries to overdue customers are immediately suspended and such customers are placed under enhanced monitoring. Legal actions will be taken for recovery if the payment remains outstanding for more than three months.
- (5) Periodic reconciliation mechanism: Reconciliations are conducted with customers on a quarterly basis to ensure consistency between records and actual balances, and to identify and address any abnormalities in time.

3. Strengthen internal controls in the area of procurement

The Company refined the supplier onboarding, credit authorisation, reconciliation and payment approval processes to eliminate payments without contracts, overdue payables and improper credits. The specific measures include:

- (1) Digitalisation of tender management. The procurement department has adopted digital transformation for tenders to establish a full-process innovative tender management system. It addresses pain points in the traditional procurement model such as geographical constraints, low efficiency and insufficient competition, thus creating a fair, impartial and open procurement environment.
- (2) Improvement of the supplier management system. The Company systematically advanced the creation and optimisation of the supplier database and continuously updated the supplier list, laying a foundation for procurement quality enhancement and cost control. Multiple qualified suppliers have been successfully introduced, completely resolving the risks associated with single-source supply and ensuring the stability of the production supply chain.
- (3) Standardised agreement management. Agreements are executed strictly in accordance with the standard templates required by the Company's legal department. Any necessary amendments to contract terms must be submitted to the legal department for approval in accordance with established procedures. No changes may be made without approval.
- (4) Periodic reconciliation management. A robust periodic reconciliation mechanism with suppliers has been established, with reconciliation conducted on a quarterly basis to ensure clear accounts and accurate data, and to mitigate operational risks.

XIII. Assessment report on internal control or auditor's report on internal control (*Continued*)

2. Auditor's report on internal control (*Continued*)

2. Explanation of rectification progress: (Continued)

(IV) Internal control supervision, rectification verification and coordination with auditors

Core target: Create a full-process, multi-tiered internal control and supervision system, establish a closed-loop management mechanism for rectification, and achieve the virtuous cycle of "identification – rectification – verification – enhancement" for internal control issues, while ensuring proper coordination with auditors so that the results of internal control rectification are recognised by auditors.

1. Build a dedicated supervision system and strengthen effectiveness of discipline and supervision

The Company has further improved its internal control and supervision system by establishing a dedicated supervision team to carry out special reviews across the entire business chain, accurately identifying management deficiencies and strictly investigating violations of rules and discipline. At the same time, the Group's Discipline Inspection Commission Office was formed, full-process supervision of policy implementation and the exercise of authority was enhanced, increase efforts were made in handling and verifying whistleblowing reports, and the working mechanism integrating supervision, accountability and enforcement was improved, reinforcing the defense line for compliant operation.

2. Establish a full-process closed loop for rectification and rigorously supervise the implementation of rectification

The Company has strengthened the closed-loop management of audit rectification by establishing a comprehensive process control mechanism covering "audit findings – implementation of rectification – application of results – follow-up verification". Audit findings are fully incorporated into a tracking system. Rectification plans are subject to strict review with full-process tracking and guidance as well as advancement in stages. For major issues that remain unrectified after the deadline, are inadequately rectified, or are repeatedly violated despite rectification efforts, the Company will initiate special supervision measures, accountability interviews and performance-linked assessment mechanisms to ensure thorough and effective resolution.

3. Systematically revise the internal control system and facilitate management improvement through rectification

Adhering to a problem-oriented approach that addresses both symptoms and root causes, the Company has formulated special rectification measures for various management issues, clearly defining responsible parties, rectification timelines and acceptance criteria. It promotes systematic revisions of policies on the group level, further regulating key business processes, including procurement approval, raw materials and auxiliary materials acceptance, and returns management. These measures effectively close management loopholes at both the policy and process levels and continuously enhance corporate governance and operational management standards.

VI Corporate Governance, Environment and Society

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

Not applicable

XV. Disclosure of environmental information

Whether the listed company and its major subsidiaries are included in the list of enterprises subject to mandatory environmental information disclosure?

Yes No

Number of enterprises included in the list of enterprises subject to mandatory environmental information disclosure (entities)

7

No.	Name of enterprise	Index for mandatory disclosure reports on environmental information
1	Shandong Chenming Paper Holdings Limited	Mandatory Corporate Environmental Information Disclosure System (Shandong) http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=0&id=913700006135889860
2	Shouguang Meilun Paper Co., Ltd.	Mandatory Corporate Environmental Information Disclosure System (Shandong) http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=0&id=91370783690649340B
3	Shouguang Chenming Art Paper Co., Ltd.	Mandatory Corporate Environmental Information Disclosure System (Shandong) http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=0&id=91370783798676770K
4	Zhanjiang Chenming Pulp & Paper Co., Ltd.	Mandatory Corporate Environmental Information Disclosure System (Guangdong) https://www-app.gdeei.cn/gdeepub/front/dal/report/list?entName=%E6%99%A8%E9%B8%A3&reportType=&areaCode=440800&entType=zdpw&reportDateStartStr=&reportDateEndStr=
5	Huanggang Chenming Pulp & Paper Co., Ltd.	Mandatory Corporate Environmental Information Disclosure System (Hubei) http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=142b6735-b868-4369-b7bc-30f0f5b5ac68&XH=1677749944758009244672
6	Jiangxi Chenming Paper Co., Ltd	Mandatory Corporate Environmental Information Disclosure System (Jiangxi) http://qyhjxxyfpl.sthjt.jiangxi.gov.cn:15004/pilouxiangqing?id=90205301bb6147c9ae47291303f803fe
7	Jilin Chenming Paper Co., Ltd.	Mandatory Corporate Environmental Information Disclosure System (Jilin) http://36.135.7.198:9015/index

XVI. 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 2025 Environmental, Social and Governance Report of Shandong Chenming Paper Holdings Limited published by the Company on CNINFO on 31 March 2026.

VI Corporate Governance, Environment and Society

XVII. Consolidating and expanding the achievements of poverty alleviation and rural revitalisation

Not applicable

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

(i) Compliance with the Corporate Governance Code

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

Save for the details set out in III Board, IV Chairman and General Manager and XVII Communications with shareholders in this section, the Company had fully complied with all the principles and code provisions of the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules during the reporting period.

(ii) Securities transactions by Directors

The Directors of the Company confirmed that the Company had adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Hong Kong Listing Rules. Having made adequate enquiries with all Directors of the Company, the Company was not aware of any information that reasonably suggested that the Directors 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 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, external donations, 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 make decisions on the appointment or dismissal of the Company's managers, Secretary to the Board and other Senior Management members; and make decisions on issues related to their remuneration, award and penalty; and to appoint or dismiss deputy general managers and the Company's other senior management, including the chief financial officer, upon nomination by the general manager and make decisions on issues related to their remuneration, award and penalty; (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.

VI Corporate Governance, Environment and Society

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

(iii) Board (*Continued*)

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 Corporate Governance Code and disclosure in the Corporate Governance Report. During the reporting period, the Board had performed the above duties.

The Company convened the 2025 first extraordinary general meeting and the seventh meeting of the tenth session of the employee representative meeting on 28 October 2025, and completed the re-election of the Board. The eleventh session of the Board comprised 11 Directors, including five executive Directors: Jiang Yanshan (Chairman), Li Weixian, Liu Peiji, Meng Feng (employee representative Director), and Zhu Yanli; two non-executive Directors: Song Yuchen and Wang Ying; and four independent non-executive Directors: Zhang Zhiyuan, Luo Xinhua, Wan Gang, and Kong Pengzhi. Please refer to part IV of this section for their brief biographies. Each of appointed Directors obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules on 28 October 2025, and confirmed that he or she understood his or her obligations as a Director of a listed issuer.

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.

VI Corporate Governance, Environment and Society

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

(iii) Board (*Continued*)

During the reporting period, the Board held 8 meetings, 5 of which were regular meetings and 6 were extraordinary meetings. None of the Directors were absent from any Board meetings. The Company completed the re-election of the Board during the reporting period. As at the end of the reporting period, the attendance of the current Directors at the relevant meetings is as follows:

Name	Position	Attendance at the relevant meetings (attendance required/attendance)					
		Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration and Assessment Committee meetings	Strategic and Sustainable Development Committee meetings	General meetings
I. Executive Directors							
Jiang Yanshan	Chairman	3/3	N/A	1/1	N/A	1/1	2/2
Li Weixian	Executive Director	8/8	N/A	N/A	N/A	N/A	3/3
Liu Peiji	Executive Director	3/3	N/A	N/A	N/A	N/A	2/2
Meng Feng	Executive Director	3/3	N/A	N/A	N/A	1/1	1/1
Zhu Yanli	Executive Director	3/3	N/A	N/A	N/A	N/A	2/2
II. Non-executive Directors							
Song Yuchen	Director	3/3	N/A	N/A	0/0	N/A	2/2
Wang Ying	Director	3/3	2/2	N/A	N/A	N/A	2/2
III. Independent non-executive Directors							
Zhang Zhiyuan	Independent Director	3/3	2/2	N/A	0/0	N/A	2/2
Luo Xinhua	Independent Director	3/3	2/2	N/A	0/0	N/A	2/2
Wan Gang	Independent Director	3/3	N/A	1/1	N/A	N/A	2/2
Kong Pengzhi	Independent Director	3/3	N/A	1/1	N/A	1/1	2/2

None of the members of the Board had any financial, business, family relations or material connections with each other.

VI Corporate Governance, Environment and Society

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

(iii) Board (*Continued*)

According to Article 186 of the Articles of Association (as amended in July 2024), Board meetings shall be notified to all the Directors in writing ten (10) days in prior, and there was no objection from any Director to a shorter notice period. During the reporting period, the Company amended the Articles of Association. Pursuant to Article 133 of the Articles of Association (as amended in October 2025), Board meetings shall be notified to all the Directors in writing fourteen (14) days in prior, and there was no objection from any Director to a shorter notice period. The Board held 5 regular meetings in the year, among which the first meeting of the eleventh session of the Board held on 28 October 2025 and the second meeting of the eleventh session of the Board held on 30 October 2025 fell within the board re-election period and could not meet the 14-day prior notice requirement. However, all Directors unanimously agreed to waive the notice period requirement for the above meetings and all attended the Board meetings in person. All other Board meetings complied with Article 186 of the Articles of Association (as amended in July 2024), with written notice given to all Directors at least 10 days in advance, ensuring that all Directors had the opportunity to propose matters for discussion to be included in the agenda and to make prompt decisions on transactions that were material to the Group's business in a timely manner. The Board will make its best efforts to comply with the provisions of the code in the future.

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.

During the reporting period, the Company actively organised relevant training sessions for Directors to enhance their performance of duties. Directors of the Company participated in the special training session on the 2024 annual reports of listed companies in Shandong Province online on 20 January 2025, thus further enhancing their professional capabilities in annual report preparation and disclosure. They participated in the special training session on administrative measures for information disclosure of listed companies and other latest regulatory requirements organised by the Shandong CSRC online on 8 April 2025 to gain a deeper understanding of the latest regulatory requirements. The Chairman of the Company participated in the special training session on corporate governance and integrity standards for listed companies in person on 21 November 2025. Mr. Kong Pengzhi, an independent non-executive Director, participated in the pre-appointment training for independent directors of listed companies organised by the Shenzhen Stock Exchange online from 5 November 2025 to 2 December 2025 to study information disclosure, standardised operations, corporate governance, and cases of non-compliance, thereby enhancing his ability to perform his duties. At the same time, the briefing paper in respect of the requirements of Hong Kong Listing Rules prepared by the advisor to Hong Kong Law of the Company was distributed by the Company to all Directors, and further emphasised and drew the Directors' attention to the provisions under the Hong Kong Listing Rules applicable to Directors of the Company, the above of which were to ensure all Directors to comply with relevant laws and sound corporate governance practice, and enhance their awareness of sound corporate governance practice.

VI Corporate Governance, Environment and Society

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

(iv) Chairman and general manager

The Company convened the first extraordinary meeting of the eleventh session of the Board on 28 October 2025 to elect Mr. Jiang Yanshan as the Chairman of the Company. At the same time, as the Company was in a transitional stage of resumption of operation and production and risk mitigation, upon prudent assessment, the Board resolved not to appoint the general manager for the time being. In order to ensure the normal conduct of the Company's operations, Mr. Jiang Yanshan, Chairman of the Company, shall perform the duties of the general manager during the vacancy until the Company appoints the general manager in accordance with the relevant procedures. Please refer to part IV of this section for Mr. Jiang Yanshan's brief biographies.

According to the Articles of Association, 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; and (3) exercising other powers authorised by the Board.

The general manager of the Company exercises the duties of a chief executive officer. The general manager shall exercise the following powers: (1) to lead the Company's production, operation and management, carry out the Board's resolutions, and to report work to the Board; (2) to implement the Company's annual business and investment plans; (3) to draft plans for the establishment of the Company's internal management structure; (4) to draft the Company's basic management system; (5) to formulate the specific rules and regulations of the Company; (6) to propose the appointment or dismissal of the Company's deputy manager(s), chief financial officer; (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board; (8) to exercise other powers conferred by the Articles of Association and the Board of Directors.

The roles of chairman and general manager (who performs duties equivalent to those of a chief executive officer) of the Company should be separate and should not be performed by the same individual under code provision C.2.1. However, the roles of chairman and general manager of the Company is not separate in accordance with code provision C.2.1. During the vacancy of the general manager position, Mr. Jiang Yanshan shall perform the duties of the general manager. The Board believes that Mr. Jiang Yanshan has a thorough understanding of the Company's culture and operational model. As the Chairman of the Company, his assumption of the general manager's duties during the vacancy will facilitate the planning and implementation of the Group's business strategies, and will also be conducive to enhancing the Group's management and operational efficiency. The responsibilities of the Chairman and the general manager are clearly delineated, and the Company's Board structure ensures a balance of power, provides adequate checks and balances, and effectively safeguards the interests of the Company and its shareholders at large.

(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. Mr. Luo Xinhua, an independent non-executive Director 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 IV 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 Corporate Governance, Environment and Society

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

(vi) Terms of Directors

According to the Articles of Association, all Directors, including non-executive Directors, have been elected at the general meetings with a term of three years from October 2025 to October 2028. 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.

(viii) Board committees

Pursuant to the Corporate Governance Code, 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 the Corporate Governance Code, the Company has set up the Strategy and Sustainable Development Committee, for overseeing and studying long-term strategic development plan of the Company and making recommendations.

(ix) Audit Committee

During the reporting period, the Company completed the re-election of the Board. On 28 October 2025, the first meeting of the eleventh session of the Board was convened to consider and approve the resolution regarding the election of members of the special committees of the eleventh session of the Board, and elected the new members of the Audit Committee. The Audit Committee of the Company comprises three members, including Mr. Luo Xinhua (as the chairman), Mr. Zhang Zhiyuan and Ms. Wang Ying, of whom two (including the Chairman) are independent non-executive Directors and one is a non-executive Director. The Audit Committee is mainly responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal control, and exercising the functions of the supervisory committee as stipulated under the Company Law, being responsible for the supervision, review, communication and coordination of the Company's internal and external audit work. Mr. Luo Xinhua has appropriate professional qualifications or appropriate accounting or related financial management expertise, which is in compliance with the requirement of the Hong Kong Listing Rules.

VI Corporate Governance, Environment and Society

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

(ix) Audit Committee (*Continued*)

The main functions of the Audit Committee of the Company are: (1) the functions and powers of the supervisory committee as stipulated by the Company Law; (2) to supervise and evaluate the work of external audit and propose the engagement or replacement of the external audit institution: ① to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; ② to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and ③ to develop and implement a policy on engaging an external auditor (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) to supply non-audit services. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed; (3) to supervise and evaluate the work of internal audit and to be responsible for the coordination between internal and external audits, and to ensure that the internal audit function has adequate resources to operate its duties and appropriate standing within the Company, and to review and monitor its effectiveness; (4) to review the Company's financial information and its disclosures: ① to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, if prepared for publication, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) the going concern assumptions and any qualifications; (v) compliance with accounting standards; and (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; ② regarding the above matters, the Audit Committee should liaise with the Board and the senior management and the Committee must meet, at least twice a year, with the external auditor to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the external auditor; (5) to supervise and evaluate the Company's internal control, financial reporting system, risk management and internal control systems: ① to review the Company's financial control, and review the Company's risk management and internal control systems; ② to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have the effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function; ③ to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; ④ to review the Group's financial and accounting policies and practices; ⑤ to review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and management's response; ⑥ to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; ⑦ to report to the board on the matters in this article; and ⑧ to consider other topics, as defined by the Board; (6) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; (7) to act as the key representative body for overseeing the Company's relations with the external auditor; and (8) to deal with other matters as authorised by the Board and other matters involved in the relevant laws and regulations as well as the regulations of the Hong Kong Stock Exchange and Shenzhen Stock Exchange.

VI Corporate Governance, Environment and Society

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

(ix) Audit Committee (*Continued*)

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 2025 prepared in accordance with the China Accounting Standards for Business Enterprises.

The Audit Committee has strictly reviewed the unqualified audit report with an emphasis of matter paragraph issued by the accounting firm as well as the management's position on the opinion and the corresponding measures taken by the Group to address the emphasis of matter in the qualified opinion. For the reasons stated above, the Audit Committee has concurred with the management's position. In addition, the Audit Committee has requested the management to take all necessary actions to eliminate the uncertainties about the emphasis of matter related to going concern in order to address the going concern issue as soon as possible. The Audit Committee has also discussed the financial position of the Group, and the measures taken and to be taken by the Group with Grant Thornton (Special General Partnership), and has taken into account Grant Thornton (Special General Partnership)'s rationale and understood their consideration in arriving at their opinion.

Particulars of the meetings held by the Audit Committee during the reporting period are detailed in part VI and 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 2024. The Audit Committee (as well as the Board) was satisfied with the adequacy and effectiveness of the related systems.

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

During the reporting period, the Company completed the re-election of the Board. On 28 October 2025, the first meeting of the eleventh session of the Board was convened to consider and approve the resolution regarding the election of members of the special committees of the eleventh session of the Board, and elected the new members of the Remuneration and Assessment Committee. The Remuneration and Assessment Committee of the Company comprises three members, including Mr. Zhang Zhiyuan as the chairman, Mr. Luo Xinhua and Mr. Song Yuchen. Two of them, including the chairman, are independent non-executive Directors, and one is a non-executive Director, 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.

VI Corporate Governance, Environment and Society

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

(x) Remuneration and Assessment Committee (*Continued*)

The Remuneration and Assessment Committee of the Board of the Company is responsible for formulating standards for appraising Directors and senior management of the Company, formulate and review the policies for and proposals on the remuneration of Directors and senior management and make recommendations to the Board for the following matters: (1) Remuneration of Directors and senior management, including non-monetary income, pension and compensation etc.; (2) Formulation or changes of incentive option schemes and employee option schemes, grant of entitlements to scheme participants, and fulfilment of exercise conditions; (3) Arrangement of option schemes at subsidiaries proposed to be spin-off for Directors and senior management; (4) To make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (5) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (6) To make recommendations to the Board on the remuneration of non-executive Directors; (7) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (8) To review compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (9) To review compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (10) To ensure that no Director or any of their associates is involved in deciding that Director's own remuneration; (11) To review and/or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange; and (12) Other matters required by the laws, regulations, CSRC, the Articles of Association and the Listing Rules, and authorised by the Board.

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

(xi) Nomination Committee

During the reporting period, the Company completed the re-election of the Board. On 28 October 2025, the first meeting of the eleventh session of the Board was convened to consider and approve the resolution regarding the election of members of the special committees of the eleventh session of the Board, and elected the new members of the Nomination Committee. The Nomination Committee of the Company comprises three members, including Wan Gang (as the chairman), Jiang Yanshan and Kong Pengzhi. Two of them, including the chairman, are independent non-executive Directors, which is in compliance with the Corporate Governance Code. The Nomination Committee is primarily responsible for formulating the standards and procedures for the selection of Directors and senior management, and selecting and reviewing the selection of Directors and senior management as well as their qualifications.

VI Corporate Governance, Environment and Society

XVIII. 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 of the Company: (1) to submit proposals to the Board regarding its scale and constitution according to the Company's business activities, assets scale and shareholding structure; (2) to study the standards and procedures for selecting Directors and senior management and submit proposals to the Board; (3) to select qualified candidates for the Directors and senior management; (4) to examine and make recommendations on the candidates for the Directors and senior management; (5) to make recommendations on the nomination, appointment and dismissal of Directors to the Board with regard to the skills, knowledge, experience, background, gender and other qualities required for the Directors to perform their duties under the Board, as well as to strike a balance on the Board diversity in order to improve its efficiency and ensure the benefits to be derived from the Board diversity; (6) to make recommendations on the appointment and dismissal of the senior management to the Board; (7) to review and amend the Board diversity policy on a regular basis and make relevant disclosure in the corporate governance report in the annual report; (8) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, assist the Board in preparing the Board skills matrix and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (9) to identify individuals suitably qualified to become Board members and make recommendations to the Board; (10) to assess the independence of independent non-executive Directors; (11) to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; (12) support the Company in conducting regular evaluations of the performance of the Board; and (13) other matters required by the laws, regulations, the CSRC, the Listing Rules and the Articles of Association, and authorised by the Board.

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

(xii) Strategy and Sustainable Development Committee

During the reporting period, the Company completed the re-election of the Board. On 28 October 2025, the first meeting of the eleventh session of the Board was convened to consider and approve the resolution regarding the election of members of the special committees of the eleventh session of the Board, and elected the new members of the Strategy and Sustainable Development Committee. The Strategy and Sustainable Development Committee of the Company comprised three members, including Jiang Yanshan (as the chairman), Meng Feng and Kong Pengzhi. 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.

VI Corporate Governance, Environment and Society

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

(xii) Strategy and Sustainable Development Committee (*Continued*)

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; (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; (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.

Particulars of the meetings held by the Strategy and Sustainable Development Committee during the reporting period are detailed in part VI of this section.

(xiii) Auditor

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.

On 14 May 2024, the Company convened the 2023 annual general meeting, and considered and approved the Resolution in relation to the Appointment of the Auditor for 2024, and continued to engage Grant Thornton (Special General Partnership) as the domestic auditor of the Company for 2024 and be responsible for domestic auditing of the Company for 2024.

On 15 May 2025, the Company convened the 2024 annual general meeting, and considered and approved the Resolution in relation to the Appointment of the Auditor for 2025, and continued to engage Grant Thornton (Special General Partnership) as the domestic auditor of the Company for 2025 and be responsible for domestic auditing of the Company for 2025.

(xiv) Remuneration for the Auditor

The financial statements for 2025 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Grant Thornton (Special General Partnership). In 2025, the Company paid the auditor a total of RMB2.80 million (tax inclusive; tax exclusive amount: RMB2.6415 million) in respect of financial statements audit for 2024 and a total of RMB1.10 million (tax inclusive; tax exclusive amount: RMB1.0377 million) in respect of audit services in relation to internal control for 2024. The Company has not changed its auditor in any year during the past three years.

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

VI Corporate Governance, Environment and Society

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

(xiv) Remuneration for the Auditor (*Continued*)

In addition to the aforesaid annual financial report and internal control audit fees paid to Grant Thornton (Special General Partnership) totalling RMB3.6792 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 RMB683,000.

(xv) Supervisors and Supervisory Committee

The tenth session of 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 tenth session of the Supervisory Committee of the Company convened 3 meetings, and all Supervisors attended Supervisory Committee meetings convened during the year, and carefully reviewed the 2024 Annual Report, 2025 First Quarterly Report and 2025 Interim Report, and issued special opinions.

In order to fully implement the requirements of the newly amended Company Law of the People's Republic of China and its supporting rules, further enhance the Company's standardised operations, and improve its governance structure, and pursuant to the Company Law of the People's Republic of China, the Transitional Arrangements for the Implementation of the Supporting Rules of the New Company Law of the China Securities Regulatory Commission 《關於新〈公司法〉配套制度規則實施相關過渡期安排》，the Guidelines for the Articles of Association of Listed Companies 《上市公司章程指引》，and other laws, regulations, and normative documents, the Company convened the twenty-first extraordinary meeting of the tenth session of the Board on 10 October 2025 and the first extraordinary general meeting on 28 October 2025, where the Resolution in relation to the Adjustment of the Company's Governance Structure and Amendments to the Articles of Association was considered and approved to revise its corporate governance structure by abolishing the supervisory committee of the Company and its supervisors with the functions and powers of the supervisory committee as stipulated under the Company Law of the People's Republic of China to be exercised by the Audit Committee of the Board of the Company, and the Company's systems related to the Supervisory Committee being correspondingly repealed.

(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.

VI Corporate Governance, Environment and Society

XVIII. 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

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 15 May 2025 by the Company, two extraordinary general meeting were convened in 2025. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
2024 annual general meeting	Hu Changqing, Li Xingchun, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yang Biao
2025 first extraordinary general meeting	Hu Changqing, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yang Biao
2025 second extraordinary general meeting	Jiang Yanshan, Li Weixian, Liu Peiji, Meng Feng, Zhu Yanli, Song Yuchen, Wang Ying, Zhang Zhiyuan, Luo Xinhua, Wan Gang, Kong Pengzhi

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

Code provision F.1.3 – This code provision requires the chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the annual general meeting.

Ms. Yin Meiqun, a then member of the Audit Committee and the Nomination Committee, was absent from the annual general meeting due to business commitments.

Code provision C.1.5 – 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, Ms. Yin Meiqun, an independent non-executive Director of the Company, was absent from the 2024 annual general meeting and the 2025 first extraordinary general meeting; other independent non-executive Directors and other non-executive Directors of the Company attended the general meetings without absence.

During the year, Mr. Li Feng, an executive director of the Company, was absent from the 2024 annual general meeting and the 2025 first extraordinary general meeting; Mr. Li Xingchun, an executive Director of the Company, was absent from the 2025 first extraordinary general meeting.

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.

VI Corporate Governance, Environment and Society

XVIII. 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 a general meeting by Shareholder*

Pursuant to Article 63 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 voting shares shall be entitled to propose to the Audit Committee the convening of extraordinary general meeting, provided that such proposal shall be made in writing.

In the event that the Audit 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 Audit Committee to issue a notice of general meeting within the stipulated period shall be deemed as failure of the Audit 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 64 of the Articles of Association, if the Audit Committee or 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.

The Audit Committee or 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 65 of the Articles of Association, the Board and its secretary shall cooperate with respect to matters relating to general meetings convened by the Audit Committee or Shareholders on their own. The Board shall provide Shareholder registers as of the date of shareholding register.

Pursuant to Article 66 of the Articles of Association, if a general meeting is convened by the Audit Committee or Shareholders on their own, all necessary expenses incurred shall be borne by the Company.

VI Corporate Governance, Environment and Society

XVIII. 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	chenmimingpaper@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 68 of the Articles of Association, when the Company convenes a general meeting, the Board, the Audit Committee and Shareholder(s) individually or jointly holding 1% or more of the shares of the Company shall have the right to propose motions.

Any Shareholders individually or aggregately holding more than 1% of the Company's shares (including preferred shares with restored voting rights, etc.) may submit a temporary proposal in writing to the convener ten days before the general meeting is convened. The convener shall issue a supplementary notice within two (2) days of receiving such proposals, announce the content of the extraordinary proposals, and submit such extraordinary proposals to the general meeting for consideration. However, this shall not apply if the temporary proposal violates the provisions of laws, administrative regulations or the Company's Articles of Association, or does not fall within the scope of the powers of the general meeting

Except for the circumstances specified in the preceding paragraph, after the convener issues the announcement of the notice of the general meeting, it shall not amend the proposals already listed in the notice of the general meeting or add new proposals.

Proposals that are not listed in the notice of the general meeting or do not comply with the provisions of the Articles of Association shall not be put to vote or resolved at the general meeting.

The proposal on nomination of Directors shall be submitted, notified and announced at least 10 (ten) (Hong Kong) trading days before the date of convening the general meeting.

VI Corporate Governance, Environment and Society

XVIII. 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 XI. Internal control system development and implementation during the reporting period and XIII. Assessment report on internal control or auditor's report on internal control of this section.

(xix) Articles of Association

On 28 October 2025, the Company amended the new Articles of Association, primarily to implement the requirements of the newly amended Company Law of the People's Republic of China and its supporting rules pursuant to the Company Law of the People's Republic of China, the Transitional Arrangements for the Implementation of the Supporting Rules of the New Company Law of the China Securities Regulatory Commission 《關於新<公司法>配套制度規則實施相關過渡期安排》, the Guidelines for the Articles of Association of Listed Companies 《上市公司章程指引》, and other laws, regulations, and normative documents, adjusting its corporate governance structure with the functions and powers of the supervisory committee being exercised by the Audit Committee of the Board and certain relevant provisions accordingly amended. 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

The Company has implemented a Board diversity policy. The implementation rules for the Nomination Committee was amended on 10 October 2025. The Nomination Committee shall regularly review the Board diversity policy to improve Board efficiency and ensure interest thereof.

The Board diversity policy is 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, Environment and Society

XVIII. 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 9 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) Employee diversity

The Company always adheres to the principles of fairness and impartiality in recruitment, resolutely eliminates any form of discrimination based on race, gender, religious belief, etc., and is committed to building a diverse and inclusive talent team. The Company takes “cultivating talents, retaining talents, and making good use of talents” as its core concept, and through the formulation and implementation of a series of policies such as the Measures for the Implementation of the Seniority Allowance and Title Allowance and the Regulations on the Management of Employees’ Early Retirement, it effectively pays attention to the well-being of employees and continuously improves their sense of belonging and happiness; At the same time, the Company has established a clear career development path for employees and provided abundant training resources and career development support to help them achieve personal growth and self-worth. We always adhere to the principle of gender equality in terms of salary system, training opportunities, and career prospects, ensuring that all employees enjoy fair development opportunities and treatment, promoting gender equality in the workplace through practical actions, and creating a harmonious and inclusive working environment.

As at 31 December 2025, the total number of employees in the Company was 8,992, of which 2,174 were female employees, accounting for 24.18% of the total. Due to the fact that the Company operates in the paper and paper products industry in the manufacturing industry, the production process requires high physical strength from frontline technical staff, and the nature of the work involves a shift system. Therefore, in the actual recruitment process, male candidates are the main ones. This phenomenon is mainly due to industry characteristics and job demands, rather than restricting women from applying for frontline technical positions. The Company always adheres to the principles of fairness and impartiality in recruitment, and equal employment opportunities are offered regardless of gender.

VI Corporate Governance, Environment and Society

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

(xxii) Dividend policy

During the reporting period, due to the shutdown of certain production bases, the Company's shutdown losses and maintenance expenses increased year on year, leading to a significant year-on-year decline in sales of machine-made paper. The Company made impairment provisions for certain assets, which affected both revenue and profit for the current period. At the same time, the Company conducted impairment tests for the credit profiles of its financial leasing customers and made bad debt provisions for certain financial leasing activities in accordance with relevant requirements of the Accounting Standards for Business Enterprises out of prudence, which further affected the profit for the current period. The net profit attributable to shareholders of the Company for 2025 amounted to RMB-8,226 million. Furthermore, to focus on its principal activities of pulp production and papermaking, the Company divested all assets related to its financial leasing business in the fourth quarter of 2025 and had since ceased all financial leasing activities. Based on the operations in 2025 and taking into account the Company's development plan for 2026, the Board proposed not to pay cash dividend, issue bonus shares and increase share capital from reserves in 2025 to satisfy the capital needs for day-to-day production and operation and enhance the risk resistance of the Company, thereby realising the sustainable, steady and healthy development of the pulp production and papermaking, the principal activities of the Company, and better safeguarding the interests of all shareholders in the long run.

VII 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 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

VII 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

3. Company undertaking relating to business performance

Applicable Not applicable

VII 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

Grant Thornton (Special General Partnership) issued an audit report with a qualified opinion on the 2024 financial report of the Company. The Board of the Company had provided a special statement on the relevant matters. For details, please refer to the Special Statement of the Board of Directors on Matters Related to the 2024 Annual Audit Report disclosed on CNINFO on 1 April 2025 and the overseas regulatory announcement disclosed on the website of Hong Kong Stock Exchange on 31 March 2025 by the Company.

During the reporting period, the Company attached great importance to the matters covered in the audit report with a qualified opinion. With the support of Party committees and government authorities at all levels and financial institutions, the Company actively promoted the implementation of various tasks such as grant of syndicated loan, resumption of operation and production at production bases, debt restructuring and asset disposal. It also took various measures to raise liquidity and strove to improve its ability to continue as a going concern with a view to eliminating the relevant matters and their effect as soon as possible and effectively safeguarding the interests of the Company and all its shareholders.

For the grant of a syndicated loan, the governments of Weifang and Shouguang established Weifang Xingchen Trading Co., Ltd., a wholly state-owned company, through capital contribution. The company collaborated with financial institutions to arrange a syndicated loan of RMB2.31 billion exclusively to support the Company’s resumption of operation and production. As of the end of the reporting period, the approval process of the syndicated loan was completed with RMB1.652 billion being successfully disbursed. Weifang Xingchen Trading Co., Ltd. had established a wholly-owned subsidiary, Jilin Xingchen Paper Co., Ltd. With the support of the Jilin City Government, Bank of Jilin provided a special credit of RMB217 million to Jilin Xingchen Paper Co., Ltd. to assist Jilin Chenming in resumption of operation and production. As of the end of the reporting period, Bank of Jilin had disbursed RMB118 million.

For the resumption of operation and production, in 2025, the Huanggang production base was in normal operation, while the Shouguang production base, the Jiangxi production base and the Jilin production base resumed fully operation gradually. The Zhanjiang production base has resumed full operation in March 2026. As each production base has resumed operation and production, the Company’s ability to generate its own working capital gradually recovers. In the subsequent production and operations, the Company will strengthen end-to-end cost reduction and efficiency enhancement as well as all-round new product development. Priority will be given to allocating production resources to core production lines, high-margin products, and orders with stable proceeds in order to improve operating cash flows.

VII Material Matters

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

For debt restructuring, the Company proactively coordinated its financing plans and optimised its financing structure, and actively initiated negotiations with banks and financial institutions to extend the maturity of loans, reduce interest rates, and adjust repayment cycles. 90 or 82.57% of 109 banks and finance leasing companies consented to interest rate reductions or loan extensions, resulting in a saving of finance expenses of more than RMB600 million each year. At the same time, the Company prudently addressed overdue debts, litigation and arbitration cases, and account freezes by reviewing each overdue borrowing, accounts payable, and litigation case and formulating tailored disposal plans for each debt and case. The Company negotiated instalment payments, debt-for-goods swaps, and extended credit terms with suppliers to restore supply chain stability and minimise new litigation and preservation actions. For frozen accounts and assets, the Company sought releases and lifting of preservation measures through the provision of security, settlements, instalment performance, and other means to restore normal settlement and operating activities. By the end of 2025, the total amount of overdue obligations remained essentially flat compared to the beginning of 2025, with overdue amounts to banks, finance leasing companies and supply chain entities reduced by RMB330 million. The Company had reached settlements over most overdue debts to financial institutions. Moreover, the Company had proceeded with account cleanup and consolidation efforts, performing a comprehensive review of bank accounts of the Company and its subsidiaries, and advancing the closure of redundant and dormant accounts to effectively reduce account maintenance fees and risks associated with fund dispersion. A tiered account management system had been established, clearly defining approval authorities and usage norms for account opening, changes, and closures to ensure funds to be used for designated purposes. Dynamic monitoring of accounts was strengthened with timely updates and real-time alerts.

For asset disposal, the Company made every effort to revitalise and dispose of existing assets, including intensifying the disposal of non-core business assets, establishing an asset management centre, optimising internal management structures, dividing asset disposal management zones by region, assigning responsibilities to individuals, and enhancing the efficiency of asset disposal. The Company divested all assets related to its financial leasing business in the fourth quarter of 2025 and had since ceased all financial leasing activities. The Company stepped up efforts to recover outstanding debts, including pursuing recovery from debtors with realisable assets through negotiation or legal means. For accounts receivable that were difficult to recover, judicial proceedings had been initiated to improve the Company’s liquidity.

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

Applicable Not applicable

The Board is of the view that Grant Thornton (Special General Partnership)’s unqualified audit report with an emphasis of matter paragraph has objectively and fairly reflected the financial position and operating results of the Company in 2025. The inclusion of an emphasis of matter paragraph in its audit report is intended to draw the attention of users of the audit report to the relevant matters and does not affect the validity of the Company’s financial statements. The Board of the Company agrees with the explanation provided by Grant Thornton (Special General Partnership) regarding the emphasis of matter paragraph in the Company’s 2025 audit report. The Board attaches great importance to the effects of the matters highlighted in the report on the Company and will urge the management of the Company to further strengthen corporate management, effectively implement specific measures to resolve the relevant matter and its effects, ensure the Company’s sustained, stable, and healthy development, and earnestly safeguard the legitimate rights and interests of the Company and all shareholders.

The Directors of the Company has taken plans and measures to improve the operations of the Company. The relevant plans and measures are set out in IV. Basis of Preparation of the Financial Statements of section X Financial Report.

VII Material Matters

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

Applicable Not applicable

There were no 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, 3 subsidiaries were newly established, namely Zhanjiang Chenming Paper Co., Ltd., Chenming International Trade Import and Export Co., Limited and Shanghai Hongtai Tengda Industrial Development Co., Ltd. A company was included in the scope of consolidation, namely Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership). 7 subsidiaries were disposed of, namely Shouguang Wei Yuan Logistics Company Limited, Shandong Shengming Corporate Management Co., Ltd., Qingdao Chenming Paper Products Sales Co., Ltd., Shanghai Chenxinming Industrial Development Co., Ltd., Chenming Management and Consulting (Shandong) Co., Ltd., Shandong Dingkun Asset Management Partnership (Limited Partnership) and Nanjing Chenming Culture Communication Co., Ltd. 2 subsidiaries were deregistered, namely Zhanjiang Meilun Pulp & Paper Co., Ltd. and Chenming Paper United States Co., Ltd.

VIII. Engagement or dismissal of accounting firms

Current accounting firm engaged

Name of the domestic accounting firm	Grant Thornton (Special General Partnership)
Remuneration of the domestic accounting firm (RMB'0,000)	390
Continued term of service of the domestic accounting firm	7
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	3

Whether to appoint another accounting firm during the period

Yes No

Whether to appoint another accounting firm during the audit

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 2025. The Company paid RMB1.10 million as internal control audit fees for prior year during the reporting period.

VII Material Matters

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

Applicable Not applicable

X. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

XI. Material litigation and arbitration

Applicable Not applicable

General information on the litigation (arbitration)	Amount involved (HK\$/RMB'0,000)	Whether provisions are made	Progress	Trial results and impact	Enforcement of judgment	Date of disclosure	Disclosure index
Statutory demand and winding-up petition	HK\$38,911.24	No	On 15 May 2025, an application was made by Arjowiggins HKK2 Limited ("HKK2") to the court by way of a summon (the "Petitioner's Summons") for an order that the stay of the winding-up petition be lifted and to restore the hearing of the winding-up petition. On 13 June 2025, the Company and HKK2 jointly applied to dismiss the Petitioner's Summons by way of consent summons.	On 20 June 2025, the Company received the order made by the Court of First Instance dismissing the Petitioner's Summons and the winding-up petition.	The judgment was enforced.	28 June 2025 27 June 2025	http://www.cninfo.com.cn (Announcement No. 2025-046) http://www.hkex.com.hk
Summary of matters subject to litigation (arbitration) in which the Company and its majority-owned subsidiaries are the plaintiffs	RMB16,800.63	No	The amount involved in ongoing cases was RMB79.4373 million; the amount involved in resolved cases was RMB88.5690 million.f	The cases had no significant impact on the operations and financial position of the Company.	The judgment is being enforced.	1 March 2025, 12 April 2025, 24 May 2025 and 30 August 2025; and 23 January 2025, 28 February 2025, 11 April 2025, 23 May 2025 and 29 August 2025	http://www.cninfo.com.cn (Announcements No.: 2025-003, 2025-008, 2025-034 2025-044 and 2025-053) and http://www.hkex.com.hk
Summary of matters subject to litigation (arbitration) in which the Company and its majority-owned subsidiaries are the defendants	RMB646,400.05	Provision of RMB5.9350 million	The amount involved in ongoing cases was RMB2,481.0657 million; the amount involved in resolved cases was RMB3,982.9348 million.	The cases were properly resolved through communication and negotiation, an active defence, and reaching settlements with creditors.	The judgment is being enforced.		

VII Material Matters

XII. Punishment and rectification

Applicable Not applicable

Name	Type	Reason	Type of inspection and punishment	Conclusion (if any)	Date of disclosure	Disclosure index
Huanggang Chenming	Subsidiary	On 21 April 2025, during an inspection of Huanggang Chenming, Huanggang Ecological Environment Bureau found that an overflow occurred at the DW004 rainwater discharge outlet within the Huanggang Chenming plant premises. Initial rainwater flowed over the gate valve and discharged into Changhe River. After third-party sampling and testing, both the DW004 rainwater discharge outlet within the northern part of the factory and the rainwater discharge outlet outside the northern factory boundary discharging into Changhe River exceeded water quality standards. This constituted a violation involving the discharge of water pollutants exceeding water pollution emission standards.	Others	In July 2025, Huanggang Ecological Environment Bureau issued the Decision for Administrative Penalty (Huang Huan (01)) Penalty [2025] No. 17) and imposed penalty of RMB262,000 on Huanggang Chenming.	N/A	N/A
Huanggang Chenming	Subsidiary	On 2 May 2025, during an inspection of Huanggang Chenming, Huanggang Ecological Environment Bureau found that some equipment items in the tank farm area of the workshop was outdated, resulting in leaks, spills, drips, and emissions. Unorganised exhaust emissions were detected in the alkali recovery area and wastewater cooling tower, constituting a violation of illegally discharging pollutants in excess of the permitted emission concentrations.	Others	In July 2025, Huanggang Ecological Environment Bureau issued the Decision for Administrative Penalty (Huang Huan (01)) Penalty [2025] No. 16) and imposed penalty of RMB200,000 on Huanggang Chenming.	N/A	N/A

Rectification

Applicable Not applicable

VII Material Matters

XII. Punishment and rectification (*Continued*)

After the occurrence of environmental issues at Huanggang Chenming, the Company and Huanggang Chenming attached great importance to the matter, conducted a profound self-reflection on their shortcomings, promptly initiated rectification measures, paid the penalty in full and on time, and earnestly implemented the main responsibility of enterprise environmental protection. These environmental issues did not have a material adverse impact on the Company.

To ensure the rectification work was scientific, efficient, and thorough, Huanggang Chenming proactively took action under the guidance and support of the municipal government and local ecological environment authorities. During the reporting period, relevant production equipment items were promptly shut down for inspection and maintenance. The Company also organised three rounds of on-site visits by domestic and international environmental research institutions and authoritative experts from the pulp and paper industry. These visits enabled comprehensive identification and collective diagnosis of existing environmental issues. Based on the Company's actual production conditions, specific rectification engineering plans were proposed. They primarily included odor control, upgrading pollutant discharge performance, and implementing rainwater-sewage separation modifications to comprehensively address environmental shortcomings. To accelerate the rectification process, the Company invested over RMB43 million in 2025, and successfully completed multiple key rectification tasks. The specific achievements are as follows:

Firstly, the "air-cooling to water-cooling" conversion project was completed. On 27 August 2025, wastewater cooling towers were completely decommissioned, eliminating the primary odor source at its root. Secondly, ultra-low emission upgrades were completed for the electrostatic precipitators of the alkali boilers and lime kiln. After the upgrade, particulate matter emissions had been stably controlled below 10mg/m³, strictly complying with the Emission Standard of Air Pollutants for Lime and Calcium Carbide Industry (GB 41618 – 2022), significantly improving the effectiveness of atmospheric pollution control. Thirdly, the "oil-to-gas conversion" project was completed, with natural gas officially put into use on 16 September 2025. This further optimised the energy structure and reduced pollutant emissions. Fourthly, the raw material management was standardised by establishing separate storage yards for raw materials. The regulation requiring wood chips to be aged for three months before entering the plant was strictly enforced, reducing VOC emissions from fresh wood chips. Fifthly, the control of mobile source pollution was strengthened by installing environmental access control systems for mobile sources and connecting them to the provincial environmental supervision platform, strictly prohibiting entry of diesel trucks of national emission standards of IV or below to the factory to reduce mobile source emissions. Sixthly, the wastewater collection system was improved by connecting all wastewater discharged from production workshops to the pipe gallery, uniformly pumping it to collection wells for centralised treatment, and eliminating random discharge of wastewater. Seventhly, comprehensive rectification of leakage issues was conducted by thoroughly inspecting and addressing all leakage points in production and environmental facilities, standardising operational management. Eighthly, odor control for alkali boilers was deepened by completing modifications to connect chute exhaust to boiler combustion chambers and fully welding leaks in electro-filter flue ducts to further reduce unorganised exhaust emissions. Ninthly, rainwater and wastewater systems were further separated and transformed by constructing over 1,200 metres of new open drainage channels, effectively enhancing the plant's rainwater collection and treatment capacity to mitigate rainwater pollution risks.

Looking ahead, the Company will take this environmental rectification as an opportunity to further strengthen environmental awareness, improve environmental management systems, enhance routine operation and maintenance as well as normalised supervision of environmental facilities, and regularly conduct self-inspections and self-corrections to resolutely prevent any recurrence of environmental issues. At the same time, the Company will continue to increase environmental investment and promote projects such as low-temperature SCR denitration outside the alkali boiler, construction of covered wood chip storage sheds, and expansion of initial rainwater collection ponds. These efforts will drive the green upgrading of production processes, earnestly fulfil the enterprise's primary responsibility for environmental protection, contribute to the continuous improvement of regional ecological and environmental quality, and achieve green and sustainable development for the Company.

VII Material Matters

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

Applicable Not applicable

According to information disclosed on the China Enforcement Information Online, during the reporting period, the Company, Zhanjiang Chenming, Shouguang Meilun, Jilin Chenming, Jiangxi Chenming, and Shouguang Chenming Import and Export Trade Co., Ltd. were listed as dishonest persons subject to enforcement for failing to fulfil obligations as determined by effective legal documents issued by the court, violations of the asset reporting system or violations of orders restricting high-consumption activities. Neither the Company's controlling shareholder nor its actual controller is listed as a dishonest person subject to enforcement.

XIV. Significant related party transactions

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

Applicable Not applicable

Related party	Relationship with the Company	Types of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transaction	Related party transaction price	Amount of related party transactions (RMB'0,000)	Percentage	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
							as the amount of similar transactions						
Weifang Port Wood Chip Wharf Co., Ltd.	Joint venture	Services	Port miscellaneous fees	Market price	Market price	492.45	2.39%	11,000.00	No	Bank acceptance and telegraphic transfer	N/A	1 April 2025	http://www.cninfo.com.cn
Sunshine OJI (Shouguang) Special Paper Co., Ltd.	An entity in which the former chairman of the Company's controlling shareholder served as a director within the past twelve months	Goods	Sale of steam	Market price	Market price	703.01	5.71%	5,000.00	No	Bank acceptance and telegraphic transfer	N/A	1 April 2025	http://www.cninfo.com.cn
Total				-	-	1,195.46	-	16,000.00	-	-	-	-	-
Particulars on refund of bulk sale				Nil									
Estimated total amount for day-to-day related party transactions to be conducted during the period (by types of transactions) and their actual implementing during the reporting period (if any)				N/A									
Reasons for large differences between transaction price and market reference price (if applicable)				N/A									

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

Applicable Not applicable

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

3. Related party transaction connected to joint external investment

Applicable Not applicable

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

VII Material Matters

XIV. Significant related party transactions (Continued)

4. Related creditors' rights and debts transactions

Applicable Not applicable

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

Yes No

Creditor's rights receivable from any related party

Related party	Relationship with the Company	Reason	Was there any non-operating capital occupation	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount recovered during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
Shouguang Meite Environmental Technology Co., Ltd.	Joint venture	Financial support	No	1,106.33			6.00%	63.43	1,169.76
Weifang Port Wood Chip Wharf Co., Ltd.	Joint venture	Financial support	No	7,939.77			6.00%	383.25	8,323.02
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Associate	Financial support	No	23,809.34		8,543.87	4.75%	902.72	16,168.19
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, as well as lowered the finance costs.							

VII Material Matters

XIV. Significant related party transactions (Continued)

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

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	Controlling shareholder	Financial support	3,850.00		381.98	Market interest rate	119.04	3,587.07
Guangdong Nanyue Bank Co., Ltd.	Associate	Borrowing	85,789.00		9,810.00	Market interest rate	5,051.93	75,979.00
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.					

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.

XIV. Significant related party transactions

1. Custody, contracting and leasing

(1) Custody

Applicable Not applicable

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

VII Material Matters

XIV. Significant related party transactions (Continued)

1. Custody, contracting and leasing (Continued)

(2) Contracting

Applicable Not applicable

In April 2023, Jiangxi Chenming, a subsidiary, acquired equity interest in Jiangxi Port, which was included in the scope of consolidation. The principal activities of Jiangxi 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

(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	2025
Low-value leases	6,165,815.26
Total	6,165,815.26

VII Material Matters

XIV. Significant related party transactions (Continued)

1. Custody, contracting and leasing (Continued)

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	2025
Lease income	123,162,854.85

- 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	31 December 2025
Within 1 year after the balance sheet date	140,742,027.37
1 to 2 years after the balance sheet date	148,401,301.62
2 to 3 years after the balance sheet date	151,864,581.72
3 to 4 years after the balance sheet date	148,513,224.23
4 to 5 years after the balance sheet date	154,290,681.50
More than 5 years after the balance sheet date	160,281,567.85
Total	904,093,384.29

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.

VII Material Matters

XIV. Significant related party transactions (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 RMB6,812.4441 million. As at 31 December 2025, 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 RMB21,255.8303 million, representing 2,351.74% of the equity attributable to shareholders of the Company as at the end of December 2025, of which overdue guarantees amounted to RMB2,182.3702 million.

Unit: RMB'0,000

Name of obligee	Date of the related announcement disclosing the guarantee amount	External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)							Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee	Term		
Weifang Port Wood Chip Wharf Co., Ltd.	24 July 2017	17,500.00	20 December 2017	7,789.50	General guarantee	Credit guarantee	Nil	10 years	No	Yes
Zhanjiang Runbao Trading Co., Ltd.	28 March 2024	16,000.00	25 April 2024	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	21 June 2023	45,000.00	Pledge	100% equity interest in Shanghai Chongmin	80% equity interest in Taixing Port held by Shanghai Huahao	3 years	No	No
Weifang Xingchen Trading Co., Ltd.	25 April 2025	550,000.00	29 August 2025	177,347.78	Joint and several liability guarantee +Mortgage	Kunhe's properties and land	Nil	6 years	No	No
Jilin Xingchen Paper Co., Ltd.	10 October 2025	24,000.00	7 November 2025	11,850.79	Joint and several liability guarantee +Mortgage	Jilin Chenming's land and properties	Nil	5 years	No	No
Total external guarantees approved during the reporting period (A1)		574,000.00			Total actual external guarantees during the reporting period (A2)					189,198.57
Total external guarantees approved at the end of the reporting period (A3)		666,758.19			Balance of total actual guarantees at the end of the reporting period (A4)					271,546.26

VII Material Matters

XIV. Significant related party transactions (Continued)

2. Significant guarantees (Continued)

(1) Guarantees (Continued)

Guarantees between the Company and its subsidiaries

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2016	27,440.00	14 March 2016	27,440.00	Joint and several liability guarantee	Nil	Nil	12 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 October 2017	94,000.00	26 March 2018	94,000.00	Joint and several liability guarantee	Nil	Nil	11 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2022	24,051.03	17 June 2022	24,051.03	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2023	87,947.23	2 June 2023	87,947.23	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	28 March 2024	307,167.55	27 June 2024	307,167.55	Joint and several liability guarantee	Nil	Nil	2 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	31 March 2025	1,070,000.00	20 May 2025	53,528.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shouguang Meilun Paper Co., Ltd.	28 March 2020	45,191.50	9 September 2021	45,191.50	Joint and several liability guarantee	Nil	Nil	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	30 March 2022	42,172.79	24 May 2022	42,172.79	Joint and several liability guarantee	Nil	Nil	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	30 May 2023	84,684.69	9 June 2023	84,684.69	Joint and several liability guarantee	Nil	Nil	7 years	No	No
Shouguang Meilun Paper Co., Ltd.	28 March 2024	21,523.45	24 May 2024	21,523.45	Joint and several liability guarantee	Nil	Nil	4 years	No	No
Shouguang Meilun Paper Co., Ltd.	31 March 2025	470,000.00	28 May 2025	111,208.14	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jiangxi Chenming Paper Co., Ltd.	27 March 2018	10,697.57	28 February 2022	10,697.57	Joint and several liability guarantee	Nil	Nil	5 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2022	7,806.67	23 May 2023	7,806.67	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2023	8,533.46	8 September 2023	8,533.46	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	28 March 2024	44,075.80	29 September 2024	44,075.80	Joint and several liability guarantee	Nil	Nil	1.5 years	No	No
Jiangxi Chenming Paper Co., Ltd.	31 March 2025	300,000.00	22 May 2025	141,081.89	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2016	74,164.00	16 December 2019	74,164.00	Joint and several liability guarantee	Nil	Nil	12 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2022	23,138.81	20 May 2022	23,138.81	Joint and several liability guarantee	Nil	Nil	4 years	No	No

VII Material Matters

XIV. Significant related party transactions (Continued)

2. Significant guarantees (Continued)

(1) Guarantees (Continued)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Guarantees between the Company and its subsidiaries								
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2023	27,709.48	18 July 2023	27,709.48	Joint and several liability guarantee	Nil	Nil	4 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	28 March 2024	29,698.56	19 July 2024	29,698.56	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	31 March 2025	260,000.00	20 May 2025	9,000.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Huanggang Chenming Paper Technology Co., Ltd.	31 March 2025	20,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Chenming (HK) Limited	30 March 2023	3,329.54	4 January 2024	3,329.54	Joint and several liability guarantee	Nil	Nil	6 years	No	No
Chenming (HK) Limited	31 March 2025	250,000.00	3 June 2025	6,876.83	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	30 March 2023	4,416.00	29 March 2024	4,416.00	Joint and several liability guarantee	Nil	Nil	2 years	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	31 March 2025	10,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jilin Chenming Paper Co., Ltd.	30 March 2023	18,392.60	15 December 2023	18,392.60	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Jilin Chenming Paper Co., Ltd.	28 March 2024	10,599.81	19 June 2024	10,599.81	Joint and several liability guarantee	Nil	Nil	2 years	No	No
Jilin Chenming Paper Co., Ltd.	31 March 2025	100,000.00	6 November 2025	26,075.00	Joint and several liability guarantee	Nil	Nil	5 years	No	No
Shouguang Chenming Art Paper Co., Ltd.	31 March 2025	5,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Chenming (Singapore) Co., Ltd.	31 March 2025	50,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Sales Co., Ltd.	30 March 2023	15,000.00	8 February 2024	15,000.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Sales Co., Ltd.	28 March 2024	95,995.19	24 September 2024	95,995.19	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Sales Co., Ltd.	31 March 2025	185,000.00	15 August 2025	48,986.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No

VII Material Matters

XIV. Significant related party transactions (Continued)

2. Significant guarantees (Continued)

(1) Guarantees (Continued)

Guarantees between the Company and its subsidiaries

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Shanghai Hongtai Real Estate Co., Ltd.	19 April 2023	199,454.55	2 June 2023	199,454.55	Joint and several liability guarantee	Nil	Nil	15 years	No	No
Shanghai Hongtai Real Estate Co., Ltd.	31 March 2025	210,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2022	875.00	13 February 2023	875.00	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	28 March 2024	56,780.00	4 June 2024	56,780.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	31 March 2025	80,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shanghai Heruiming Property Management Co., Ltd.	19 June 2024	7,998.00	23 May 2024	7,998.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shanghai Heruiming Property Management Co., Ltd.	31 March 2025	10,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jilin Chenming Pulp & Fiber Trading Co., Ltd.	28 March 2024	1,000.00	24 September 2024	1,000.00	Joint and several liability guarantee	Nil	Nil	2 years	No	No
Jilin Chenming Pulp & Fiber Trading Co., Ltd.	31 March 2025	5,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	28 March 2024	23,999.30	25 August 2024	23,999.30	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	31 March 2025	100,000.00	27 June 2025	12,000.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Hainan Chenming Technology Co., Ltd.	28 March 2024	17,600.00	16 January 2025	17,600.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Hainan Chenming Technology Co., Ltd.	31 March 2025	80,000.00	10 June 2025	27,800.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Sales Co., Ltd.	31 March 2025	200,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Co., Ltd.	31 March 2025	150,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Chenming (Overseas) Co., Ltd.	31 March 2025	30,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No

VII Material Matters

XIV. Significant related party transactions (Continued)

2. Significant guarantees (Continued)

(1) Guarantees (Continued)

Guarantees between the Company and its subsidiaries

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Nanchang Chenming Arboriculture Development Co., Ltd.	31 March 2025	3,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jiangxi Chenming Logistics Co., Ltd.	31 March 2025	3,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shouguang Chenming Papermaking Machine Co., Ltd.	31 March 2025	3,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shouguang Hongxiang Printing and Packaging Co., Ltd.	31 March 2025	3,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shouguang Hongyi Decorative Packaging Co., Ltd.	31 March 2025	3,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shouguang Chenming Modern Logistic Co., Ltd.	31 March 2025	3,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Grand View Hotel Co., Ltd.	31 March 2025	5,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Foshan Chenming Import and Export Trade Co., Ltd.	31 March 2025	30,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shanghai Hongtai Property Management Co., Ltd.	31 March 2025	10,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Zhanjiang Chenming Technology Development Co., Ltd.	31 March 2025	20,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		3,668,000.00			Total amount of guarantee provided for subsidiaries during the reporting period (B2)					681,244.41
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		5,083,442.58			Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					1,851,998.44

VII Material Matters

XIV. Significant related party transactions (Continued)

2. Significant guarantees (Continued)

(1) Guarantees (Continued)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantees between subsidiaries				Term	Fulfilled or not	Guarantee to related parties or not
				Guarantee provided	Type of guarantee	Collateral	Counter-guarantee			
Shouguang Meilun Paper Co., Ltd.	31 March 2025	60,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shouguang Meilun Paper Co., Ltd.	31 March 2025	30,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	31 March 2025	70,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	31 March 2025	20,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Huanggang Chenming Port Service Co., Ltd.	31 March 2025	3,000.00	29 December 2025	592.33	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Hubei Chenming Technology Industrial Co., Ltd.	31 March 2025	50,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jilin Chenming Pulp & Fiber Trading Co., Ltd.	31 March 2025	3,000.00	26 September 2025	950.00	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jilin Chenming Pulp & Fiber Trading Co., Ltd.	11 October 2025	1,000.00	-	-	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	31 March 2025	5,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Foshan Chenming Import and Export Trade Co., Ltd.	31 March 2025	3,000.00	21 September 2025	496.00	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Hainan Chenming Technology Co., Ltd.	31 March 2025	10,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jiangxi Chenming Paper Co., Ltd.	31 March 2025	1,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jiangxi Chenming Paper Co., Ltd.	31 March 2025	1,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jiangxi Chenming Paper Co., Ltd.	31 March 2025	1,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Co., Ltd.	31 March 2025	5,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Co., Ltd.	31 March 2025	50,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Co., Ltd.	31 March 2025	20,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Co., Ltd.	31 March 2025	15,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Shandong Chenming Paper Co., Ltd.	31 March 2025	20,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No

VII Material Matters

XIV. Significant related party transactions (Continued)

2. Significant guarantees (Continued)

(1) Guarantees (Continued)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantees between subsidiaries				Term	Fulfilled or not	Guarantee to related parties or not
				Guarantee provided	Type of guarantee	Collateral	Counter-guarantee			
Shandong Chenming Paper Co., Ltd.	11 October 2025	200,000.00	-	-	Joint and several liability guarantee	Nil	Nil	5 years	No	No
Zhanjiang Chenming Technology Development Co., Ltd.	31 March 2025	120,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Zhanjiang Chenming Technology Development Co., Ltd.	31 March 2025	20,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Nanchang Shengheng Trading Co., Ltd.	31 March 2025	70,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Nanchang Shengheng Trading Co., Ltd.	31 March 2025	20,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jilin Chenming Paper Co., Ltd.	31 March 2025	30,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Jilin Chenming Paper Co., Ltd.	31 March 2025	10,000.00	-	-	Joint and several liability guarantee	Nil	Nil	1 year	No	No
Huanggang Chenming Paper Technology Co., Ltd.	25 April 2025	43,915.77	-	-	Joint and several liability guarantee	Nil	Nil	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		881,915.77			Total amount of guarantee provided for subsidiaries during the reporting period (C2)					2,038.33
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		881,915.77			Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)					2,038.33
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)		5,123,915.77			Total amount of guarantee during the reporting period (A2+B2+C2)					872,481.31
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		6,632,116.54			Total balance of guarantee as at the end of the reporting period (A4+B4+C4)					2,125,583.03
The percentage of total amount of guarantee (i.e. A4+B4+C4) to the net assets of the Company										2,351.74%
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)										674,283.42
Total amount of guarantee provided in excess of 50% of net assets (F)										2,080,391.25
Sum of the above three amount of guarantee (D+E+F)										2,754,674.66
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)										Nil
Providing external guarantees in violation of prescribed procedures (if any)										Nil

VII Material Matters

XIV. Significant related party transactions *(Continued)*

2. Significant guarantees *(Continued)*

(1) Guarantees *(Continued)*

Details of composite guarantees

The Company and its subsidiaries jointly provided composite guarantees of RMB5,076.6598 million for the subsidiaries. To avoid duplicated calculation, such amount was only listed and calculated in the guarantees provided by the Company to its subsidiaries.

3. Entrusted cash and asset management

(1) Entrusted wealth management

Applicable Not applicable

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

(2) Entrusted loans

Applicable Not applicable

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

4. Other material contracts

Applicable Not applicable

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

XVI. Use of proceeds

Applicable Not applicable

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

VII Material Matters

XVII. Other matters of significance

Applicable Not applicable

1. Resumption of operation and production of production bases

During the reporting period, with the firm support and guidance of Party committees and governments at all levels, the Company fully leveraged the role of the Group's Party Committee as the "backbone", and adhered to the principles of "safety first, efficiency first, and profitability first". Focusing on cost reduction, efficiency improvement, and innovation-driven reform, the Company prioritised the resumption of operation and production of its production bases with overall planning in pursuit of syndicated loans, as well as key aspects such as equipment maintenance, technological upgrades, material supply and product sales. In 2025, the Huanggang production base maintained stable production, while the three major production bases in Shouguang, Jiangxi and Jilin successfully resumed operation one after another. As of the date of this report, the Zhanjiang production base has resumed full operation. Going forward, the Company will strengthen end-to-end cost reduction and efficiency enhancement as well as all-round new product development, adopt a benefit-centric approach to enhance market analysis, continuously optimise its product structure, devote resources into developing competitive product offerings. With the measures including strengthening budget control and revitalising existing assets, the Company will enhance capital utilisation efficiency, strengthen the profitability and market competitiveness of the Company, effectively mitigate debt risks, and drive the Company towards sustained, stable, and healthy development.

2. Thorough divestiture of assets related to financial leasing business

In order to further focus on the development strategy of pulp production and papermaking, its principal activities, and to facilitate its high-quality development, the Company transferred, by way of agreement, 100% equity interest in Shandong Chenming Leasing, 25% equity interest in Qingdao Chenming Leasing and 25% equity interest in Shanghai Chenming Leasing held by its wholly owned subsidiary Chenming (HK), together with the debts of RMB2,262,956,100 owed to its majority-owned subsidiary Zhanjiang Chenming Paper by Shandong Chenming Leasing to Shouguang Shengjia Investment Co., Ltd., a wholly state-owned enterprise under the Finance Bureau of Shouguang City. The machinery and equipment assets of the net carrying amount of RMB47.6275 million held under Shandong Chenming Leasing and located in Xuchang City, Henan Province, were not included in the scope of the disposal. The total consideration for the transfer amounted to RMB3,336.3530 million, including the equity transaction consideration of RMB1,073.3969 million and the debt transaction consideration of RMB2,262.9561 million. The transaction was approved at the Company's first extraordinary meeting of the eleventh session of the Board held on 12 December 2025, and at the Company's second extraordinary general meeting of 2025 held on 31 December 2025. Upon completion of the transaction, the Company ceased to engage in any financial leasing activities. As of the end of the reporting period, the Company had received the first instalment of the equity transfer payment of RMB330 million.

For details, please refer to the relevant announcements disclosed by the Company on CNINFO on 13 December 2025, 16 December 2025, and 5 January 2026 (Announcement No.: 2025-076, 2025-077 and 2025-078) and the announcements disclosed on Hong Kong Stock Exchange website on 14 December 2025, 15 December 2025, 16 December 2025, 23 December 2025, and 31 December 2025.

VII Material Matters

XVII. Other matters of significance *(Continued)*

3. Information disclosure index for 2025 Annual Report

Announcement No.	Subject matter	Date of publication	Publication website and index
2025-001	Announcement on Partial Release of Pledge of Shares and Re-Pledge of Shares of Shareholder	3 January 2025	http://www.cninfo.com.cn
2025-002	Announcement on Partial Release of Pledge of Shares and Pledge and Freezing of Shares of Shareholder	24 January 2025	http://www.cninfo.com.cn
2025-003	Announcement in Relation to, Among Others, the Progress in Temporary Shutdown and Maintenance of Certain Production Bases and Cumulative Litigation	24 January 2025	http://www.cninfo.com.cn
2025-004	2024 Annual Results Forecast	24 January 2025	http://www.cninfo.com.cn
2025-005	Announcement on Progress of Dissolution of Shandong Chenming Group Finance Co., Ltd.	15 February 2025	http://www.cninfo.com.cn
2025-006	Announcement on Imposition of Other Risk Warnings in Respect of Shares of the Company and Suspension of Trading in Shares of the Company	20 February 2025	http://www.cninfo.com.cn
2025-007	Announcement on Unusual Price Movement of Shares of the Company	26 February 2025	http://www.cninfo.com.cn
2025-008	Announcement on New Cumulative Litigation	1 March 2025	http://www.cninfo.com.cn
2025-009	Announcement on Progress of Equity Transfer of Subsidiary and Related Party Transaction	15 March 2025	http://www.cninfo.com.cn
2025-010	Announcement on Judicial Freeze and Waiting Freeze of Shares Held by Shareholders	15 March 2025	http://www.cninfo.com.cn
2025-011	2024 Annual Report Summary	1 April 2025	http://www.cninfo.com.cn
2025-012	Announcement on Resolutions of the Twelfth Meeting of the Ten Session of the Board of Directors	1 April 2025	http://www.cninfo.com.cn
2025-013	Announcement on Resolutions of the Twelfth Meeting of the Ten Session of the Supervisory Committee	1 April 2025	http://www.cninfo.com.cn
2025-014	Notice of 2024 Annual General Meeting	1 April 2025	http://www.cninfo.com.cn
2025-015	Announcement on the 2024 Annual Online Performance Briefing	1 April 2025	http://www.cninfo.com.cn
2025-016	Special Statement on Securities Investment in 2024	1 April 2025	http://www.cninfo.com.cn
2025-017	Announcement on Proposed Non-distribution of Profit for 2024	1 April 2025	http://www.cninfo.com.cn
2025-018	Announcement on Carrying out Factoring Business of Accounts Receivable	1 April 2025	http://www.cninfo.com.cn
2025-019	Announcement on Development of Equipment Financing Business	1 April 2025	http://www.cninfo.com.cn
2025-020	Announcement on Expected Provision of Guarantees to Subsidiaries for 2025	1 April 2025	http://www.cninfo.com.cn
2025-021	Announcement on Re-appointment of Auditor for 2025	1 April 2025	http://www.cninfo.com.cn
2025-022	Announcement on Estimated Day-to-day Related Party Transactions for 2025	1 April 2025	http://www.cninfo.com.cn
2025-023	Announcement on Changes in Accounting Policies	1 April 2025	http://www.cninfo.com.cn
2025-024	Special Statement of the Board of Directors on Matters Related to the 2024 Audit Report	1 April 2025	http://www.cninfo.com.cn
2025-025	Special Statement of the Board of Directors on Matters Related to the 2024 Internal Control Audit Report	1 April 2025	http://www.cninfo.com.cn

VII Material Matters

XVII. Other matters of significance *(Continued)*

3. Information disclosure index for 2025 Annual Report *(Continued)*

Announcement No.	Subject matter	Date of publication	Publication website and index
2025-026	The Opinion of the Supervisory Committee on the Special Statement of the Board of Directors on Matters Related to the 2024 Audit Report	1 April 2025	http://www.cninfo.com.cn
2025-027	The Opinion of the Supervisory Committee on the Special Statement of the Board of Directors on Matters Related to the 2024 Internal Control Audit Report	1 April 2025	http://www.cninfo.com.cn
2025-028	Announcement on Imposition of Other Risk Warnings in Respect of Shares of the Company	1 April 2025	http://www.cninfo.com.cn
2025-029	Valuation Enhancement Plan	1 April 2025	http://www.cninfo.com.cn
2025-030	Announcement on the Waiting Freeze of Shares Held by Shareholders	1 April 2025	http://www.cninfo.com.cn
2025-031	Announcement on Cumulative Newly Overdue Debts	1 April 2025	http://www.cninfo.com.cn
2025-032	Indicative Announcement on Change in Shareholding of Controlling Shareholder	12 April 2025	http://www.cninfo.com.cn
2025-033	Announcement on the Partial Release of Pledge of Shares of Shareholder and the New Waiting Freeze	12 April 2025	http://www.cninfo.com.cn
2025-034	Announcement on New Cumulated Litigation	12 April 2025	http://www.cninfo.com.cn
2025-035	Announcement on Resolutions of the Twentieth Extraordinary Meeting of the Tenth Session of the Board of Directors	26 April 2025	http://www.cninfo.com.cn
2025-036	Announcement on External Guarantees Provided by the Company and its Majority-owned Subsidiaries	26 April 2025	http://www.cninfo.com.cn
2025-037	Announcement on the Termination of Construction of Huanggang Chenming Phase II Project	26 April 2025	http://www.cninfo.com.cn
2025-038	Announcement on the Transfer of Non-Controlling Shareholding in a Subsidiary of the Company to Huanggang Technology and the Provision of Guarantee by Huanggang Chenming	26 April 2025	http://www.cninfo.com.cn
2025-039	Announcement on the Addition of Temporary Proposals to the 2024 Annual General Meeting and Supplementary Notice of the General Meeting	26 April 2025	http://www.cninfo.com.cn
2025-040	2025 First Quarterly Report	30 April 2025	http://www.cninfo.com.cn
2025-041	Announcement on Participating in the 2025 Online Collective Reception Day for Investors of Listed Companies in Shandong	14 May 2025	http://www.cninfo.com.cn
2025-042	Results of the 2024 Annual General Meeting	16 May 2025	http://www.cninfo.com.cn
2025-043	Announcement on Progress of Provision of Guarantee to a Subsidiary	16 May 2025	http://www.cninfo.com.cn
2025-044	Announcement on New Cumulated Litigation	24 May 2025	http://www.cninfo.com.cn
2025-045	Indicative Announcement on Postponement of Election of the Board of Directors and the Supervisory Committee	14 June 2025	http://www.cninfo.com.cn
2025-046	Announcement on Progress of Litigation	28 June 2025	http://www.cninfo.com.cn
2025-047	Announcement on Estimated Interim Results for the Six Months Ended 30 June 2025	15 July 2025	http://www.cninfo.com.cn
2025-048	Announcement on Unusual Price Movement of Shares of the Company	7 August 2025	http://www.cninfo.com.cn

VII Material Matters

XVII. Other matters of significance *(Continued)*

3. Information disclosure index for 2025 Annual Report *(Continued)*

Announcement No.	Subject matter	Date of publication	Publication website and index
2025-049	Announcement on Unusual Price Movement of Shares of the Company	8 August 2025	http://www.cninfo.com.cn
2025-050	Announcement in respect of Resolutions of the Fourteenth Meeting of the Tenth Session of the Board of Directors	30 August 2025	http://www.cninfo.com.cn
2025-051	Announcement in respect of Resolutions of the Fourteenth Meeting of the Tenth Session of the Supervisory Committee	30 August 2025	http://www.cninfo.com.cn
2025-052	2025 Interim Report Summary	30 August 2025	http://www.cninfo.com.cn
2025-053	Announcement on Resolutions of the Twenty-First Extraordinary Meeting of the Tenth Session of the Board of Directors	30 August 2025	http://www.cninfo.com.cn
2025-054	Notice of the 2025 First Extraordinary General Meeting	11 October 2025	http://www.cninfo.com.cn
2025-055	Announcement on Amendment to Related Governance Systems of the Company	11 October 2025	http://www.cninfo.com.cn
2025-056	Announcement on External Guarantees Provided by the Company and its Majority-owned Subsidiaries	11 October 2025	http://www.cninfo.com.cn
2025-057	Announcement on Provision of Guarantee to a majority-owned Subsidiary	11 October 2025	http://www.cninfo.com.cn
2025-058	Announcement on the Election of the New Session of the Board	11 October 2025	http://www.cninfo.com.cn
2025-059	Declaration and Undertaking of Independent Director Candidate (Zhang Zhiyuan)	11 October 2025	http://www.cninfo.com.cn
2025-060	Declaration and Undertaking of Independent Director Candidate (Luo Xinhua)	11 October 2025	http://www.cninfo.com.cn
2025-061	Declaration and Undertaking of Independent Director Candidate (Wan Gang)	11 October 2025	http://www.cninfo.com.cn
2025-062	Declaration and Undertaking of Independent Director Candidate (Kong Pengzhi)	11 October 2025	http://www.cninfo.com.cn
2025-063	Declaration and Undertaking of Nominator for Independent Director (Zhang Zhiyuan)	11 October 2025	http://www.cninfo.com.cn
2025-064	Declaration and Undertaking of Nominator for Independent Director (Luo Xinhua)	11 October 2025	http://www.cninfo.com.cn
2025-065	Declaration and Undertaking of Nominator for Independent Director (Wan Gang)	11 October 2025	http://www.cninfo.com.cn
2025-066	Declaration and Undertaking of Nominator for Independent Director (Kong Pengzhi)	11 October 2025	http://www.cninfo.com.cn
2025-067	Announcement on Resolutions of the 2025 First Extraordinary General Meeting	29 October 2025	http://www.cninfo.com.cn
2025-068	Announcement on the Election of Employee Director Representative for the Eleventh Session of the Board of Directors	29 October 2025	http://www.cninfo.com.cn
2025-069	Announcement in respect of Resolutions of the First Meeting of the Eleventh Session of the Board of Directors	29 October 2025	http://www.cninfo.com.cn
2025-070	Announcement on the Completion of the Election of the New Session of Board of Directors and the Engagement of Senior Management and Other Relevant Personnel	29 October 2025	http://www.cninfo.com.cn
2025-071	Announcement in respect of Resolutions of the Second Meeting of the Eleventh Session of the Board of Directors	31 October 2025	http://www.cninfo.com.cn

VII Material Matters

XVII. Other matters of significance *(Continued)*

3. Information disclosure index for 2025 Annual Report *(Continued)*

Announcement No.	Subject matter	Date of publication	Publication website and index
2025-072	2025 Third Quarterly Report	31 October 2025	http://www.cninfo.com.cn
2025-073	Announcement on Provision for Asset Impairment	31 October 2025	http://www.cninfo.com.cn
2025-074	Announcement on the Shares Held by Shareholders Subject to Subordinated Freezing Order	29 November 2025	http://www.cninfo.com.cn
2025-075	Announcement on Resolutions of the First Extraordinary Meeting of the Eleventh Session of the Board of Directors	13 December 2025	http://www.cninfo.com.cn
2025-076	Announcement on the Divestiture of Assets Related to the Financial Leasing Business	13 December 2025	http://www.cninfo.com.cn
2025-077	Notice of the 2025 Second Extraordinary General Meeting	16 December 2025	http://www.cninfo.com.cn
2025-078	Announcement on Resolution of the 2025 Second Extraordinary General Meeting	5 January 2026	http://www.cninfo.com.cn

XVIII. Matters of significant of subsidiaries of the Company

Applicable Not applicable

1. Dissolution of Shandong Chenming Group Finance Co., Ltd.

On 14 August 2024, the Resolution on Dissolution of Shandong Chenming Group Finance Co., Ltd. was considered and approved at the tenth meeting of the tenth session of the Board convened by the Company, pursuant to which the Board of the Company agreed to authorise the management of the Company to deal with the matters relating to the dissolution of the financial company. On 12 February 2025, the finance company received the Approval of the National Financial Regulatory Administration on the Dissolution of Shandong Chenming Group Finance Co., Ltd. (Jin Fu [2025] No. 86), which approved the dissolution of the finance company.

For relevant details, please refer to the relevant announcements disclosed by the Company on CNINFO on 15 August 2024 and 15 February 2025 (announcement number: 2024-047 and 2025-005) and the announcements disclosed by the Company on the website of Hong Kong Stock Exchange on 14 August 2024 and 14 February 2025.

2. Termination of construction of Huanggang Chenming Phase II Project

On 25 April 2025 and 15 May 2025, the Resolution on Termination of Construction of Huanggang Chenming Phase II Project was considered and approved at the twentieth extraordinary meeting of the tenth session of the Board and the 2024 annual general meeting, respectively. In view of market changes and its current operations, in order to avoid further impact of capital expenditures on liquidity and to effectively safeguard the interests of the Company and all shareholders, based on the principle of prudence, the Company terminated the construction of the Huanggang Chenming Phase II Project.

For relevant details, please refer to the relevant announcements disclosed by the Company on CNINFO on 26 April 2025 and 16 May 2025 (announcement number: 2025-037 and 2025-042) and the announcements disclosed by the Company on the website of Hong Kong Stock Exchange on 25 April 2025 and 15 May 2025.

VIII 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	30,941,154	1.05%				-18,395,220	-18,395,220	12,545,934	0.43%
1. Shares held by other domestic investors	30,941,154	1.05%				-18,395,220	-18,395,220	12,545,934	0.43%
Including: Shares held by domestic natural persons	30,941,154	1.05%				-18,395,220	-18,395,220	12,545,934	0.43%
II. Non-restricted shares	2,910,515,046	98.95%				18,395,220	18,395,220	2,928,910,266	99.57%
1. RMB ordinary shares	1,675,824,530	56.97%				18,395,220	18,395,220	1,694,219,750	57.60%
2. Domestic listed foreign shares	706,385,266	24.01%						706,385,266	24.01%
3. Overseas listed foreign shares	528,305,250	17.96%						528,305,250	17.96%
III. Total number of shares	2,941,456,200	100.00%						2,941,456,200	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 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 and Senior Management on the last trading day of the previous year. Besides, certain Directors and Senior Management of the Company have resigned, resulting in a change in the locked-up shares of Senior Management. Hence, restricted shares decreased by 18,395,220 RMB ordinary shares in aggregate, while non-restricted shares increased by 18,395,220 RMB ordinary shares in aggregate.

Approval of changes in shareholding

Applicable Not applicable

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

VIII Changes in Share Capital and Shareholders

I. Changes in shares *(Continued)*

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Name of shareholder	Restricted shares at the beginning of the period	Restricted shares increased during the period	Restricted shares released during the period	Restricted shares at the end of the period	Reason for restriction	Date of release from restriction
Hu Changqing	219,643	573,214		792,857	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Li Xingchun	1,125,000	875,000		2,000,000	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Li Weixian	121,575	150,000		271,575	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Li Feng	792,020	564,007		1,356,027	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Li Kang	111,975	37,325		149,300	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Li Zhenzhong	409,800	336,600		746,400	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Li Mingtang	37,500	112,500		150,000	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Dong Lianming	37,500	75,000		112,500	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Yuan Xikun	44,775	22,500		67,275	Locked-up shares of Senior Management	In accordance with relevant requirements for shares held by Directors and Senior Management
Chen Hongguo	19,080,044 6,000,000		19,080,044	0 6,000,000	Locked-up shares of Senior Management Restricted shares of the participants of the Share Incentive Scheme	December 12 2025 The Company made payment for the repurchase of 6,000,000 restricted shares under the Share Incentive Scheme on 1 November 2024. The share repurchase, transfer and cancellation of such restricted shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited were not completed by the Company as they were subject to judicial freeze.

VIII Changes in Share Capital and Shareholders

I. Changes in shares *(Continued)*

2. Changes in restricted shares *(Continued)*

Name of shareholder	Restricted shares at the beginning of the period	Restricted shares increased during the period	Restricted shares released during the period	Restricted shares at the end of the period	Reason for restriction	Date of release from restriction
Li Xueqin	2,061,322 900,000		2,061,322	0 900,000	Locked-up shares of Senior Management Restricted shares of the participants of the Share Incentive Scheme	December 12 2025 The Company made payment for the repurchase of 900,000 restricted shares under the Share Incentive Scheme on 1 November 2024. The share repurchase, transfer and cancellation of such restricted shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited were not completed by the Company as they were subject to judicial freeze.
Total	30,941,154	2,746,146	21,141,366	12,545,934	–	–

II. Issuance and listing of securities

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

Applicable Not applicable

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

Applicable Not applicable

3. Existing staff shares

Applicable Not applicable

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	104,539, of which 87,742 were holders of A shares, 16,486 were holders of B shares and 311 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	100,846, of which 84,373 were holders of A shares, 16,162 were holders of B shares and 311 were holders of H shares	Total number of holders of preference shares with restored voting right as at the end of the reporting period	0	Total number of holders of preference shares with restored voting right as at the end of the month prior to the disclosure date of the annual report	0
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VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

1. Total number of shareholders and shareholdings (Continued)

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 shareholder	Nature of shareholder	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, marked or locked-up Status of shares	
							Number	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.50%	455,781,319	0	0	455,781,319	Pledged	386,811,546
							Frozen	409,956,441
HKSCC NOMINEES LIMITED	Overseas legal person	12.70%	373,423,525	57,500	0	373,423,525	N/A	0
CHENMING HOLDINGS (HONG KONG) LIMITED (Note 1)	Overseas legal person	12.38%	364,131,563	0	0	364,131,563	N/A	0
Jin Xing	Domestic natural person	1.29%	37,885,027	23,847,231	0	37,885,027	N/A	0
Chen Hongguo (Note 2)	Domestic natural person	0.65%	19,080,044	0	0	19,080,044	Frozen	19,080,044
Xu Hekun	Domestic natural person	0.28%	8,380,250	1,590,350	0	8,380,250	N/A	0
Ji Zhongqiu	Domestic natural person	0.27%	8,008,174	1,800,000	0	8,008,174	N/A	0
Pan Jiankai	Domestic natural person	0.26%	7,779,906	7,779,906	0	7,779,906	N/A	0
Zhang Xinge	Domestic natural person	0.21%	6,180,000	6,180,000	0	6,180,000	N/A	0
Xu Shaosen	Domestic natural person	0.18%	5,403,463	0	0	5,403,463	N/A	0
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. 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	In November 2024, pursuant to the 2020 Restricted A Share Incentive Scheme (Draft), the Company made payments for the repurchase of restricted shares not yet unlocked for the third unlocking period under the 2020 Restricted A Share Incentive Scheme. In the process of completing the procedures for the share transfer and cancellation, the 6,000,000 restricted shares held by Mr. Chen Hongguo were judicially frozen. Hence, the procedures for the transfer and cancellation of such restricted shares were not yet completed with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.							
	The 19,080,044 shares held by Mr. Chen Hongguo, being a domestic natural person, excludes the 6,000,000 restricted shares under the share incentive scheme.							

VIII 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 (excluding the shares lent under refinancing business and the locked-up shares of the Senior Management)		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	455,781,319	RMB ordinary shares		455,781,319
HKSCC NOMINEES LIMITED	373,423,525	Overseas listed foreign shares		373,423,525
CHENMING HOLDINGS (HONG KONG) LIMITED (Note 1)	364,131,563	Domestic listed foreign shares		210,717,563
		Overseas listed foreign shares		153,414,000
Jin Xing	37,885,027	Domestic listed foreign shares		37,885,027
Chen Hongguo (Note 2)	19,080,044	RMB ordinary shares		19,080,044
Xu Hekun	8,380,250	Domestic listed foreign shares		8,380,250
Ji Zhongqiu	8,008,174	RMB ordinary shares		8,008,174
Pan Jiankai	7,779,906	Domestic listed foreign shares		7,779,906
Zhang Xinge	6,180,000	RMB ordinary shares		6,180,000
Xu Shaosen	5,403,463	Domestic listed foreign shares		5,403,463
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 455,781,319 RMB ordinary shares, of which 409,956,441 shares were held through ordinary account and 45,824,878 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.

Note 2: On 1 November 2024, pursuant to the 2020 Restricted A Share Incentive Scheme (Draft), the Company made payments to the participants for the repurchase of restricted shares not yet unlocked for the third unlocking period under the 2020 Restricted A Share Incentive Scheme. In the process of completing the procedures for the share transfer and cancellation, the 6,000,000 restricted shares held by Mr. Chen Hongguo were judicially frozen. Hence, the procedures for the transfer and cancellation of such restricted shares were not yet completed with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The 19,080,044 shares held by Mr. Chen Hongguo, being a domestic natural person, excludes the 6,000,000 restricted shares to be cancelled under the share incentive scheme.

Share lending by shareholders interested in more than 5%, top 10 shareholders and top 10 shareholders of non-restricted shares under refinancing business

Applicable Not applicable

Changes of top 10 shareholders and top 10 shareholders of non-restricted shares due to lending/returning of shares under refinancing business as compared to prior period

Applicable Not applicable

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.

VIII 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	Jiang Yanshan	30 December 2005	91370783783485189Q	Investment in papermaking, 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, as of 31 December 2025, Chenming Holdings Company Limited was indirectly interested in 8.20% 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.			

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Continued)

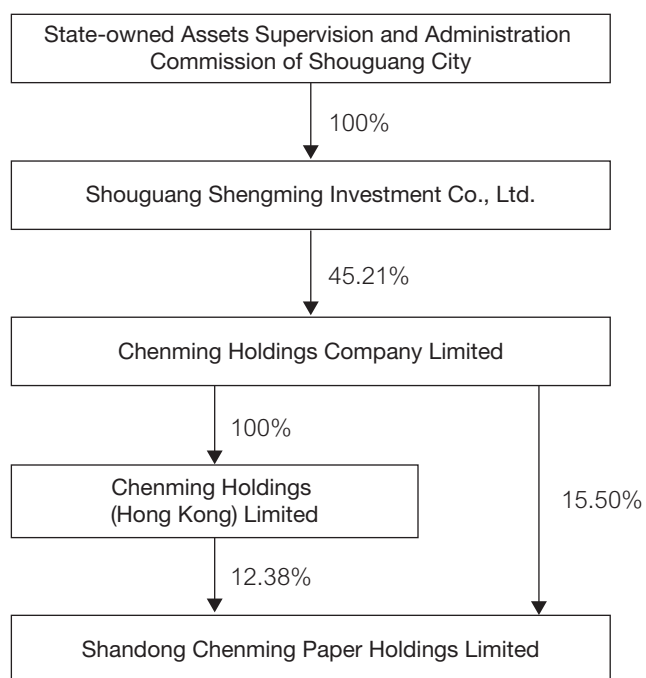
3. Beneficial controller of the Company and persons acting in concert (Continued)

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

VIII 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

V. Preference Shares

Applicable Not applicable

The Company had no preference shares during the reporting period.

IX Bonds

Applicable Not applicable

X Financial Report

I. Auditors' Report

Type of auditor's opinion	Unqualified opinion with an emphasis of matter paragraph
The date of the audit report signed	30 March 2026
Name of the auditor	Grant Thornton (Special General Partnership)
Reference number of the auditor's report	Zhi Tong Shen Zi (2026) No. 371A006537
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. Audit opinion

We have audited the financial statements of Shandong Chenming Paper Holdings Limited ("Chenming Paper"), which comprise the consolidated and the Company's balance sheets as at 31 December 2025, 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 2025 and notes to the relevant financial statements.

In our opinion, the accompanying financial statements are 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 2025 and of its consolidated and the Company's operating results and cash flows for 2025.

II. Basis for audit opinion

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 the independence requirements for audit of public interest entities under the Standards on the Independence of Chinese Certified Public Accountants, if applicable, 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. Emphasis of matter

We remind users of the financial statements that, as described in note V. 25, 26, and 34 and note XIV. 1 to the financial statements, as of 31 December 2025, certain overdue debts of Chenming Paper remained unpaid. Currently, Chenming Paper has reached agreements with a majority of financial institutions and creditors regarding debt extensions, interest rate reduction, restructuring, and settlements. As described in note V. 24, note XII. 2 and Note XIII. 1, as of 31 December 2025, Chenming Paper was involved in pending litigation, arbitration, and enforcement proceedings in which it was named as a defendant and some assets were frozen or seized. Currently, some of them have been settled and the remaining ones are under active negotiation.

This matter does not affect the audit opinion already issued.

IV. 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. Except for the matters as described in “Emphasis of matter”, we determine that the following matters are key audit matters that need to be communicated in the audit report.

(i) Assessment of the ability to continue as going concern

For detailed disclosures of relevant information, please see note II. 2 to the financial statements.

1. Details

Chenming Paper’s net profit attributable to shareholders of the Company for 2025 was RMB-8,296 million. As of 31 December 2025, the equity attributable to shareholders of the Company was RMB904 million and the current ratio was 0.16. Some of the borrowings from financial institutions and the payments for goods to suppliers were overdue. A number of litigation and arbitration cases arose from overdue debts. The management has implemented a series of measures to improve Chenming Paper’s ability to continue as a going concern and its operating performance. They primarily include strengthening team-building, comprehensively advancing the resumption of operation and production, end-to-end cost reduction and efficiency enhancement and all-round new product development, disposal of and revitalization of available assets, and raising funds through multiple channels to mitigate existing liquidity risks.

Based on the above measures, the management believes that it is appropriate to prepare the 2025 financial statements on a going concern basis. We have identified the assessment of the ability to continue as a going concern as a key audit matter due to the fact that the assessment of the ability to continue as a going concern involves judgments made by the management and is subject to inherent uncertainty.

2. Application for auditing

- (1) we have reviewed the resumption of operation and production at each of Chenming Paper’s production bases and compared the findings with the production and sales statistics for 2025 and January–February 2026 to verify consistency;
- (2) we have supervised the stocktaking of inventories and fixed assets at each production bases of Chenming Paper as at the balance sheet date to verify the operational status of production lines and track inventory movements. During the audit, we continuously monitored production at each production base either on-site or remotely via the control centre to assess whether production was sustainable;
- (3) we have analysed Chenming Paper’s operating costs, sales and distribution expenses and general and administrative expenses, and compared them with those of industry peers and historical data to verify the authenticity of cost and expense reductions;
- (4) we have reviewed and tested the design and operational effectiveness of Chenming Paper’s internal controls related to procurement and production;
- (5) we have obtained Chenming Paper’s 2026 asset disposal plan and analysed its feasibility;

- (6) we have obtained the framework agreements or strategic agreements signed by Chenming Paper with its suppliers to assess their effects on Chenming Paper's future production and operations;
- (7) we have obtained the loan extension or interest rate reduction agreements signed by Chenming Paper with financial institutions to assess their effects on Chenming Paper's efforts to mitigate debt risks and reduce finance expenses; and
- (8) we have obtained and reviewed the 2026 profit and cash flow forecasts prepared by the management, assessed the reasonableness of the underlying assumptions by comparing them with Chenming Paper's historical data and those of comparable companies in the industry, and conducted sensitivity analysis of the profit and cash flow forecasts prepared by the management.

(ii) Impairment testing of machinery and equipment

For detailed disclosures of relevant information, please see note III. 16 and 23 and note V. 15 and 57.

1. Details

As at 31 December 2025, the original carrying amount of the machinery and equipment of Chenming Paper amounted to RMB43,329.0170 million, and impairment provision of fixed assets of RMB557.7508 million was made. In 2025, some production lines of Chenming Paper suspended operation and production due to liquidity difficulties, and impairment losses may be incurred on machinery and equipment related to machine-made paper due to prolonged inactivity.

We have identified the impairment testing of machinery and equipment as a key audit matter due to the significance of the carrying amount of the machinery and equipment and the fact that the impairment testing involves significant accounting estimates and judgments made by the management.

2. Application for auditing

- (1) We have identified, evaluated and tested the effectiveness of the design and operation of internal controls related to impairment of fixed assets of Chenming Paper;
- (2) we have evaluated whether the accounting policies and accounting estimates of Chenming Paper for impairment of fixed assets comply with the Accounting Standards for Business Enterprises and industry practices;
- (3) we have supervised the stocktaking of fixed assets and monitored the status of the machinery and equipment; and
- (4) we have identified Chenming Paper's plans of resumption of work and production, and obtained a copy of the calculation table of impairment of machinery and equipment, so as to assess the reasonableness of the significant estimates made by the management in determining the net realisable value, while taking into account the reasonable useful life and capacity of the equipment, estimated selling prices gross profit margins of the products, and performed recalculations.

(iii) Revenue recognition and its alignment with operating costs

For detailed disclosures of relevant information, please see note III. 27 and note V. 47.

1. Details

Revenue and operating costs of Chenming Paper for 2025 amounted to RMB6,186.5502 million and RMB8,602.3581 million, respectively. Revenue is one of the key performance indicators of Chenming Paper. In 2025, some production bases were shut down. The accuracy and appropriateness of revenue recognition, as well as the alignment between revenue and operating costs, could potentially result in misstatements that would have a material effect on the financial statements. Therefore, we have identified revenue recognition and the alignment between revenue and operating costs as key audit matters.

2. Application for auditing

- (1) We have identified, evaluated and tested the effectiveness of the design and operation of internal controls related to the revenue cycle and inventory cycle of Chenming Paper;
- (2) we have 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 have 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 have 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 have 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;
- (6) we have supervised the stocktaking of the closing balance of inventories and selected samples for reconciliation with the accounting records of Chenming Paper in order to determine whether the inventories matched with the recorded amounts;
- (7) we have tested the measurement of inventories delivered and carry forward of their costs in order to assess the accuracy of cost accounting of Chenming Paper and its alignment with revenue;
- (8) we have carried out an analysis of the cost structure and unit costs of the major products; and
- (9) we have performed confirmation procedures for customers with significant sales amounts during the current period.

X Financial Report

V. Other information

The management of Chenming Paper is responsible for other information. Other information includes the information covered in the 2025 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.

VI. Responsibilities of the management and those charged with governance for the 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.

Those charged with governance are responsible for supervising the financial reporting process of Chenming Paper.

VII. Auditor's responsibilities for the audit of the financial statements

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

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

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

X Financial Report

- (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 those charged with governance 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 those charged with governance on compliance with ethical requirements related to independence, and communicate with those charged with governance on all relationships and other matters that may reasonably be considered to affect our independence, as well as related preventive measures (if applicable).

From the matters we communicated with those charged with governance, 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
Jiang Tao
(Project Partner)

Chinese Certified Public Accountant
Guo Dongmei

Beijing, China

30 March 2026

X 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 2025

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	210,398,721.95	5,909,879,812.18
Financial assets held for trading	38,791,121.74	37,259,325.70
Bills receivable	793,939,333.83	506,605,701.74
Accounts receivable	742,744,136.20	1,384,290,313.70
Accounts receivable financing	35,978,138.45	100,730,797.32
Prepayments	281,930,888.07	631,893,495.14
Other receivables	302,065,195.40	1,084,651,870.94
Including: Interest receivable	–	–
Dividend receivable	–	22,659,149.81
Inventories	3,316,198,760.70	2,835,388,802.15
Including: Data resources	–	–
Non-current assets due within one year	194,204,719.66	2,840,365,519.48
Other current assets	252,296,160.14	559,911,202.83
Total current assets	6,168,547,176.14	15,890,976,841.18

X Financial Report

Item	Closing balance	Opening balance
NON-CURRENT ASSETS:		
Long-term receivables	2,338,612,032.26	280,291,802.55
Long-term equity investments	2,095,953,345.27	3,971,035,411.54
Other non-current financial assets	327,934,626.32	751,030,454.68
Investment properties	5,402,063,721.57	5,743,235,268.46
Fixed assets	29,219,679,495.81	31,855,069,324.04
Construction in progress	626,640,521.92	593,838,603.87
Bearer biological assets	1,873,537.13	9,352,071.80
Right-of-use assets	151,298,017.92	266,024,312.87
Intangible assets	1,603,982,531.66	1,652,267,783.57
Including: Data resources	–	–
Goodwill	–	–
Long-term prepaid expenses	232,398,577.62	289,677,546.87
Deferred income tax assets	2,032,088,838.62	1,790,639,019.23
Other non-current assets	419,076,485.89	415,856,701.42
Total non-current assets	44,451,601,731.99	47,618,318,300.90
Total assets	50,620,148,908.13	63,509,295,142.08

X Financial Report

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	21,227,831,812.02	26,780,358,809.11
Bills payable	–	1,423,918,112.99
Accounts payable	8,608,727,052.92	7,708,967,406.47
Receipts in advance	61,929,311.57	54,538,940.24
Contract liabilities	296,299,701.36	274,829,824.35
Employee benefits payable	369,594,500.65	251,387,660.00
Taxes payable	203,168,557.15	193,424,339.67
Other payables	4,772,023,040.44	2,896,409,953.94
Including: Interest payable	428,732,780.80	63,042,283.31
Dividend payable	220,493,880.88	123,000,000.00
Non-current liabilities due within one year	2,313,171,903.83	1,577,936,964.14
Other current liabilities	1,539,511,608.24	2,680,562,600.58
Total current liabilities	39,392,257,488.18	43,842,334,611.49

X Financial Report

Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long-term borrowings	5,576,510,739.72	4,763,662,194.24
Lease liabilities	34,350,249.10	37,092,473.06
Long-term payables	1,685,368,809.50	774,965,008.29
Provisions	28,234,945.73	5,935,000.00
Deferred income	1,084,582,814.76	1,240,939,485.52
Deferred income tax liabilities	5,667,037.66	8,595,744.33
Total non-current liabilities	8,414,714,596.47	6,831,189,905.44
Total liabilities	47,806,972,084.65	50,673,524,516.93

X Financial Report

Item	Closing balance	Opening balance
OWNERS' EQUITY:		
Share capital	2,934,556,200.00	2,934,556,200.00
Capital reserves	5,241,279,229.79	5,207,678,622.75
Less: Treasury shares	-	-
Other comprehensive income	-915,388,419.92	-913,708,670.15
Special reserves	38,543,270.36	26,800,491.53
Surplus reserves	1,212,009,109.97	1,212,009,109.97
General risk provisions	68,048,751.10	80,950,584.11
Retained profit	-7,675,212,549.17	607,818,020.70
Total equity attributable to owners of the Parent Company	903,835,592.13	9,156,104,358.91
Minority interest	1,909,341,231.35	3,679,666,266.24
Total owners' equity	2,813,176,823.48	12,835,770,625.15
Total liabilities and owners' equity	50,620,148,908.13	63,509,295,142.08

Legal Representative: Jiang Yanshan	Head in charge of accounting: Zhu Yanli	Head of the accounting department: Zhang Bo
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2. Balance sheet of the Parent Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	20,121,939.63	1,599,326,584.12
Bills receivable	7,684,717.68	275,500,130.56
Accounts receivable	1,803,060,358.70	240,787,940.24
Prepayments	299,434,218.95	1,221,574,612.38
Other receivables	5,711,975,196.11	8,459,731,199.92
Including: Interest receivable	-	-
Dividend receivable	142,500,000.00	-
Inventories	203,763,590.31	279,754,637.58
Including: Data resources	-	-
Non-current assets due within one year	-	-
Other current assets	-	38,776,511.95
Total current assets	8,046,040,021.38	12,115,451,616.75

X Financial Report

Item	Closing balance	Opening balance
NON-CURRENT ASSETS:		
Long-term receivables	538,722,444.55	–
Long-term equity investments	16,699,360,999.95	18,587,172,933.97
Other non-current financial assets	85,957,311.39	101,028,728.82
Fixed assets	3,054,291,530.80	3,286,823,373.00
Construction in progress	6,554,327.41	6,526,025.52
Right-of-use assets	970,833.66	103,125,000.00
Intangible assets	447,824,474.44	462,060,836.20
Including: Data resources	–	–
Deferred income tax assets	635,383,720.83	587,532,690.79
Other non-current assets	12,021,421.38	12,030,680.01
Total non-current assets	21,481,087,064.41	23,146,300,268.31
Total assets	29,527,127,085.79	35,261,751,885.06

X Financial Report

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	10,768,516,993.00	8,760,304,513.03
Bills payable	1,349,394,835.97	4,776,895,581.73
Accounts payable	–	1,494,669,551.89
Contract liabilities	71,378,118.76	1,795,549,425.10
Employee benefits payable	107,424,275.99	83,931,485.87
Taxes payable	27,747,939.41	40,921,701.99
Other payables	4,015,226,171.54	3,679,222,270.99
Including: Interest payable	181,402,282.74	22,581,097.56
Dividend payable	–	–
Non-current liabilities due within one year	1,152,644,543.30	1,329,838,949.85
Other current liabilities	58,393,191.82	59,111,611.53
Total current liabilities	17,550,726,069.79	22,020,445,091.98

X Financial Report

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	700,604,804.17	1,548,277,044.45
Long-term payables	39,009,936.72	8,106,807.57
Provisions	8,892,127.36	5,935,000.00
Deferred income	31,839,852.52	34,010,344.36
Total non-current liabilities	780,346,720.77	1,596,329,196.38
Total liabilities	18,331,072,790.56	23,616,774,288.36

X Financial Report

Item	Closing balance	Opening balance
OWNERS' EQUITY:		
Share capital	2,934,556,200.00	2,934,556,200.00
Capital reserves	5,005,865,917.53	5,032,163,419.19
Less: Treasury shares	—	—
Special reserves	9,034,647.37	7,405,266.87
Surplus reserves	1,199,819,528.06	1,199,819,528.06
Retained profit	2,046,778,002.27	2,471,033,182.58
Total owners' equity	11,196,054,295.23	11,644,977,596.70
Total liabilities and owners' equity	29,527,127,085.79	35,261,751,885.06

X Financial Report

3. Consolidated Income Statement

Unit: RMB

Item	2025	2024
I. Total revenue	6,186,550,243.97	22,729,474,852.76
Including: Revenue	6,186,550,243.97	22,729,474,852.76
II. Total operating costs	11,085,985,754.61	26,411,444,253.77
Including: Operating costs	8,602,358,087.41	22,144,828,668.43
Taxes and surcharges	134,983,074.39	225,961,280.46
Sales and distribution expenses	104,321,369.48	241,171,109.12
General and administrative expenses	515,067,347.17	751,168,974.00
Research and development expense	93,261,011.49	1,080,331,754.42
Finance expenses	1,635,994,864.67	1,967,982,467.34
Including: Interest expenses	1,603,023,405.76	1,869,661,335.22
Interest income	88,939,981.38	182,479,117.53
Add: Other income	97,846,053.94	295,803,414.30
Investment income (“-” denotes loss)	-1,548,823,477.26	-766,913,269.23
Including: Investment income from associates and joint ventures	-941,658,122.36	-689,387,136.28
Gains on derecognition of financial assets measured at amortised cost	-594,689,754.74	-101,812,317.04
Gain on change in fair value (“-” denotes loss)	-148,726,915.03	-192,216,967.50
Credit impairment loss (“-” denotes loss)	-2,095,453,978.40	-3,198,089,208.46
Loss on impairment of assets (“-” denotes loss)	-556,179,803.08	-332,755,406.25
Gain on disposal of assets (“-” denotes loss)	9,606,143.67	55,406,263.64
III. Operating profit (“-” denotes loss)	-9,141,167,486.80	-7,820,734,574.51
Add: Non-operating income	1,418,880.43	5,147,637.71
Less: Non-operating expenses	60,465,612.20	37,604,177.94
IV. Total profit (“-” denotes total loss)	-9,200,214,218.57	-7,853,191,114.74
Less: Income tax expenses	-237,371,249.12	-60,171,697.45

X Financial Report

Item	2025	2024
V. Net profit (“-” denotes net loss)	-8,962,842,969.45	-7,793,019,417.29
(i) Classification according to the continuity of operation		
1. Net profit from continuing operations (“-” denotes net loss)	-6,058,497,700.17	-3,978,043,037.28
2. Net profit from discontinued operations (“-” denotes net loss)	-2,904,345,269.28	-3,814,976,380.01
(ii) Classification according to ownership		
1. Net profit attributable to owners of the Parent Company	-8,295,932,402.88	-7,410,784,491.65
2. Profit or loss of minority interest	-666,910,566.57	-382,234,925.64
VI. Net other comprehensive income after tax	-1,679,749.77	-48,827,181.07
Net other comprehensive income after tax attributable to shareholders of the Parent Company	-1,679,749.77	-48,827,181.07
(i) Other comprehensive income that cannot be reclassified to profit and loss	-	-
(ii) Other comprehensive income that will be reclassified to profit and loss	-1,679,749.77	-48,827,181.07
1. Other comprehensive income that may be reclassified to profit and loss under the equity method	-7,962,815.66	6,370,472.83
2. Exchange differences arising from translation of financial statements denominated in foreign currencies	6,283,065.89	-55,197,653.90
Other comprehensive income, net of tax attributable to minority interest	-	-
VII. Total comprehensive income	-8,964,522,719.22	-7,841,846,598.36
Total comprehensive income attributable to owners of the Parent Company	-8,297,612,152.65	-7,459,611,672.72
Total comprehensive income attributable to minority interest	-666,910,566.57	-382,234,925.64
VIII. Earnings per share		
(i) Basic earnings per share	-2.83	-2.53
(ii) Diluted earnings per share	-2.83	-2.53

Legal Representative:
Jiang Yanshan

Head in charge of accounting:
Zhu Yanli

Head of the accounting department:
Zhang Bo

X Financial Report

4. Income statement of the Parent Company

Unit: RMB

Item	2025	2024
I. Revenue	572,819,127.09	7,475,506,782.76
Less: Operating costs	463,480,567.34	7,120,576,791.83
Taxes and surcharges	19,463,640.92	47,521,328.42
Sales and distribution expenses	8,311,990.36	7,981,255.43
General and administrative expenses	106,499,420.58	231,719,632.20
Research and development expense	24,773,392.81	225,257,814.55
Finance expenses	455,423,969.14	444,721,496.25
Including: Interest expenses	531,596,826.55	553,965,331.86
Interest income	128,908,878.47	258,695,456.58
Add: Other income	33,644,632.92	42,778,699.89
Investment income (“-” denotes loss)	134,092,192.55	-102,226,395.52
Including: Investment income from associates and joint ventures	-3,384,681.22	-132,754,796.54
Gains on derecognition of financial assets measured at amortised cost (“-” denotes loss)	-	-17,770,062.57
Gain on change in fair value (“-” denotes loss)	-	-19,950,000.00
Credit impairment loss (“-” denotes loss)	-48,155,501.57	-2,353,308.15
Loss on impairment of assets (“-” denotes loss)	-62,215,524.11	-7,210,153.16
Gain on disposal of assets (“-” denotes loss)	12,460,730.07	28,004,223.70
II. Operating profit (“-” denotes loss)	-435,307,324.20	-663,228,469.16
Add: Non-operating income	167,803.73	1,258,032.61
Less: Non-operating expenses	22,106,689.88	22,117,596.59
III. Total profit (“-” denotes total loss)	-457,246,210.35	-684,088,033.14
Less: Income tax expenses	-47,851,030.04	-16,337,901.00
IV. Net profit (“-” denotes net loss)	-409,395,180.31	-667,750,132.14
(i) Net profit from continuing operations (“-” denotes net loss)	-409,395,180.31	-667,750,132.14
(ii) Net profit from discontinued operations (“-” denotes net loss)	-	-
V. Total comprehensive income	-409,395,180.31	-667,750,132.14

X Financial Report

5. Consolidated cash flow statement

Unit: RMB

Item	2025	2024
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	6,367,801,857.35	23,237,707,950.05
Tax rebates received	210,826.50	11,658,499.79
Cash received relating to other operating activities	430,045,314.74	524,854,825.25
Subtotal of cash inflows from operating activities	6,798,057,998.59	23,774,221,275.09
Cash paid for goods and services	5,153,209,683.83	18,151,509,011.53
Cash paid to and for employees	864,310,684.63	1,144,326,678.52
Payments of taxes and surcharges	188,339,153.27	429,650,083.60
Cash paid relating to other operating activities	348,990,069.15	1,425,543,836.84
Subtotal of cash outflows from operating activities	6,554,849,590.88	21,151,029,610.49
Net cash flows from operating activities	243,208,407.71	2,623,191,664.60
II. Cash flows from investing activities:		
Cash received from investments	211,417.43	7,305,395.37
Cash received from investment income	1,384,673.77	3,574,134.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	46,489,157.63	20,427,346.14
Net cash received from disposal of subsidiaries and other business units	330,186,207.35	503,938,946.58
Cash received relating to other investing activities	-	-
Subtotal of cash inflows from investing activities	378,271,456.18	535,245,822.29
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	3,213,890.45	69,444,183.34
Cash paid for investment	-	-
Net increase in pledged loans	-	-
Net cash paid for acquisition of subsidiaries and other business units	508,955,916.13	-
Cash paid relating to other investing activities	-	-
Subtotal of cash outflows from investing activities	512,169,806.58	69,444,183.34
Net cash flows from investing activities	-133,898,350.40	465,801,638.95

X Financial Report

Item	2025	2024
III. Cash flows from financing activities:		
Cash received from investments	-	-
Including: Cash received from subsidiaries from minority investments	-	-
Cash received from borrowings	19,143,466,156.59	27,224,432,497.83
Cash received relating to other financing activities	5,690,418,955.84	6,838,493,318.93
Subtotal of cash inflows from financing activities	24,833,885,112.43	34,062,925,816.76
Cash repayments of amounts borrowed	23,730,790,366.40	33,203,238,743.18
Cash paid for dividend and profit distribution or interest payment	1,000,742,987.66	1,921,902,301.87
Including: Dividend and profit paid by subsidiaries to minority shareholders	-	-
Cash paid relating to other financing activities	224,416,388.93	2,662,705,748.14
Subtotal of cash outflows from financing activities	24,955,949,742.99	37,787,846,793.19
Net cash flows from financing activities	-122,064,630.56	-3,724,920,976.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-1,891,790.72	23,637,176.58
V. Net increase in cash and cash equivalents	-14,646,363.97	-612,290,496.30
Add: Balance of cash and cash equivalents as at the beginning of the period	151,943,246.31	764,233,742.61
VI. Balance of cash and cash equivalents as at the end of the period	137,296,882.34	151,943,246.31

X Financial Report

6. Cash flow statement of the Parent Company

Unit: RMB

Item	2025	2024
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	755,722,828.19	8,469,958,914.03
Tax rebates received	-	-
Cash received relating to other operating activities	14,507,774.23	225,099,137.16
Subtotal of cash inflows from operating activities	770,230,602.42	8,695,058,051.19
Cash paid for goods and services	377,128,919.04	7,516,008,175.22
Cash paid to and for employees	221,648,977.99	292,646,483.16
Payments of taxes and surcharges	58,894,414.44	37,515,271.04
Cash paid relating to other operating activities	24,668,774.42	314,026,900.98
Subtotal of cash outflows from operating activities	682,341,085.89	8,160,196,830.40
Net cash flows from operating activities	87,889,516.53	534,861,220.79
II. Cash flows from investing activities:		
Cash received from investments	211,417.43	387,305,395.37
Cash received from investment income	1,384,673.77	143,198,463.59
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	19,697,525.63	19,188,807.14
Net cash received from disposal of subsidiaries and other business units	-	-
Cash received relating to other investing activities	-	-
Subtotal of cash inflows from investing activities	21,293,616.83	549,692,666.10
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	-	8,324,093.92
Subtotal of cash outflows from investing activities	-	8,324,093.92
Net cash flows from investing activities	21,293,616.83	541,368,572.18

X Financial Report

Item	2025	2024
III. Cash flows from financing activities:		
Cash received from investments	–	–
Cash received from borrowings	8,229,727,946.24	14,145,974,981.53
Cash received relating to other financing activities	1,604,427,901.28	2,488,411,858.25
Subtotal of cash inflows from financing activities	9,834,155,847.52	16,634,386,839.78
Cash repayments of amounts borrowed	9,633,569,113.90	17,030,448,289.24
Cash paid for dividend and profit distribution or interest payment	303,130,316.68	407,710,636.83
Cash paid relating to other financing activities	6,785,850.10	622,627,667.95
Subtotal of cash outflows from financing activities	9,943,485,280.68	18,060,786,594.02
Net cash flows from financing activities	-109,329,433.16	-1,426,399,754.24
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-30,443.41	-348,158.85
V. Net increase in cash and cash equivalents	-176,743.21	-350,518,120.12
Add: Balance of cash and cash equivalents as at the beginning of the period	268,719.28	350,786,839.40
VI. Balance of cash and cash equivalents as at the end of the period	91,976.07	268,719.28

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

Unit: RMB

Item	2025										Total owners equity			
	Equity attributable to owners of the Parent Company													
	Share capital	Preference shares	Other equity instruments	Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Subtotal	Minority interest	Total owners equity
I. Balance as at the end of the prior year	2,894,556,200.00	-	-	-	5,207,678,622.75	-	-913,708,670.15	26,800,491.63	1,212,009,109.97	80,560,384.11	607,918,020.70	9,156,104,358.91	3,679,666,266.24	12,835,770,625.15
II. Balance as at the beginning of the year	2,894,556,200.00	-	-	-	5,207,678,622.75	-	-913,708,670.15	26,800,491.63	1,212,009,109.97	80,560,384.11	607,918,020.70	9,156,104,358.91	3,679,666,266.24	12,835,770,625.15
III. Changes in the period ("+" denotes decrease)	-	-	-	-	33,600,607.04	-	-1,679,749.77	11,742,778.83	-	-12,901,833.01	-8,283,030,566.87	-8,252,268,766.78	-1,770,323,034.89	-10,022,598,801.67
(i) Total comprehensive income	-	-	-	-	-	-	-1,679,749.77	-	-	-	-8,295,392,402.88	-8,297,612,152.65	-866,910,566.57	-8,894,522,719.22
(ii) Capital paid in and reduced by owners	-	-	-	-	33,600,607.04	-	-	-	-	-	33,600,607.04	-	-945,082,212.55	-
1. Ordinary shares paid by owners	-	-	-	-	-	-	-	-	-	-	-	-	-978,682,819.59	-
2. Amount of state-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-978,682,819.59	-
3. Others	-	-	-	-	33,600,607.04	-	-	-	-	-	33,600,607.04	-	-	33,600,607.04
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-126,756,041.68	-
1. Transfer of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-126,756,041.68	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	12,901,833.01	-12,901,833.01	12,901,833.01	-	2,024,392.95	2,024,392.95
1. Others	-	-	-	-	-	-	-	-	-	-12,901,833.01	12,901,833.01	-	2,024,392.95	2,024,392.95
(v) Special reserves	-	-	-	-	-	-	-	11,742,778.83	-	-	-	11,742,778.83	-	11,742,778.83
1. Withdrew in the period	-	-	-	-	-	-	-	14,684,739.69	-	-	-	14,684,739.69	-	14,684,739.69
2. Used in the period	-	-	-	-	-	-	-	-2,941,960.86	-	-	-	-2,941,960.86	-	-2,941,960.86
IV. Balance as at the end of the period	2,894,556,200.00	-	-	-	5,241,279,229.79	-	-915,388,419.92	38,543,270.36	1,212,009,109.97	68,048,751.10	-7,675,212,546.17	903,835,592.13	1,909,941,231.35	2,813,176,823.48

X Financial Report

Amount for the prior period

Unit: RMB

Item	2024												
	Equity attributable to owners of the Parent Company												
	Share capital	Preference shares	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Subtotal	Minority interest	Total owners equity
I. Balance as at the end of the prior year	2,556,813,200.00	-	-	5,328,790,899.61	63,432,450.00	-864,881,489.08	23,322,629.57	1,212,009,109.97	79,370,294.91	8,020,182,801.55	16,692,175,196.53	4,405,880,649.10	21,097,855,845.63
II. Balance as at the beginning of the year	2,556,813,200.00	-	-	5,328,790,899.61	63,432,450.00	-864,881,489.08	23,322,629.57	1,212,009,109.97	79,370,294.91	8,020,182,801.55	16,692,175,196.53	4,405,880,649.10	21,097,855,845.63
III. Changes in the period ("-" denotes decrease)	-22,257,000.00	-	-	-121,112,76.86	-63,432,450.00	-48,827,181.07	3,477,661.96	-	1,580,289.20	-7,412,364,780.85	-7,536,070,837.62	-726,014,382.86	-8,262,085,220.48
(f) Total comprehensive income	-	-	-	-	-	-48,827,181.07	-	-	-	-7,410,784,491.65	-7,538,611,672.72	-582,234,925.64	-7,841,846,598.36
(f) Capital paid in and reduced by owners	-22,257,000.00	-	-	-121,112,76.86	-63,432,450.00	-	-	-	-	-	-79,936,826.86	-290,042,380.45	-389,979,207.31
1. Ordinary shares paid by owners	-	-	-	-	-	-	-	-	-	-	-	-290,042,380.45	-290,042,380.45
2. Amount of share-based payments recognised in owners' equity	-22,257,000.00	-	-	-41,175,450.00	-63,432,450.00	-	-	-	-	-	-	-	-
3. Others	-	-	-	-79,936,826.86	-	-	-	-	-	-79,936,826.86	-	-	-79,936,826.86
(g) Profit distribution	-	-	-	-	-	-	-	-	1,580,289.20	-1,560,289.20	-	-123,000,000.00	-123,000,000.00
1. Transfer of general risk reserves	-	-	-	-	-	-	-	-	1,580,289.20	-1,560,289.20	-	-	-
2. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-123,000,000.00	-123,000,000.00
(h) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	69,262,923.23	69,262,923.23
1. Others	-	-	-	-	-	-	-	-	-	-	-	69,262,923.23	69,262,923.23
(i) Special reserves	-	-	-	-	-	-	3,477,661.96	-	-	-	3,477,661.96	-	3,477,661.96
1. Withdrew in the period	-	-	-	-	-	-	19,870,503.88	-	-	-	19,870,503.88	-	19,870,503.88
2. Used in the period	-	-	-	-	-	-	-16,392,841.92	-	-	-	-16,392,841.92	-	-16,392,841.92
IV. Balance as at the end of the period	2,534,556,200.00	-	-	5,207,678,622.75	-	-915,708,670.15	26,800,691.53	1,212,009,109.97	80,550,584.11	607,818,020.70	9,156,104,358.91	3,679,666,266.24	12,835,770,625.15

8. Statement of changes in owners' equity of the Parent Company Amount for the period

Unit: RMB

Item	2025						Retained profit	Total owners' equity	
	Share capital	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: Treasury shares			Other comprehensive income
I. Balance as at the end of the prior year	2,934,556,200.00	-	-	-	5,032,163,419.19	-	2,471,033,182.58	1,199,819,528.06	11,644,977,596.70
II. Balance as at the beginning of the year	2,934,556,200.00	-	-	-	5,032,163,419.19	-	2,471,033,182.58	1,199,819,528.06	11,644,977,596.70
III. Changes in the period ("-" denotes decrease)	-	-	-	-	-26,297,501.66	-	-424,255,180.31	-	-448,923,301.47
(i) Total comprehensive income	-	-	-	-	-	-	-424,255,180.31	-	-424,255,180.31
(ii) Capital paid in and reduced by owners	-	-	-	-	-26,297,501.66	-	-	-	-26,297,501.66
1. Others	-	-	-	-	-26,297,501.66	-	-	-	-26,297,501.66
(iii) Profit distribution	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-
(v) Special reserves	-	-	-	-	-	-	-	1,629,380.50	1,629,380.50
1. Withdrew in the period	-	-	-	-	-	-	-	1,629,380.50	1,629,380.50
2. Used in the period	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-
IV. Balance as at the end of the period	2,934,556,200.00	-	-	-	5,005,865,917.53	-	2,046,778,002.27	1,199,819,528.06	11,196,054,295.23

X Financial Report

Amount for the prior period

Unit: RMB

Item	2024										Total owners' equity		
	Share capital	Preference shares	Other equity instruments	Perpetual bonds	Others	Capital reserves	Treasury shares	Less:	Other comprehensive income	Special reserves		Surplus reserves	Retained profit
I. Balance as at the end of the prior year	2,956,813,200.00	-	-	-	-	5,073,338,869.19	63,432,450.00	63,432,450.00	-	4,612,641.99	1,199,819,528.06	3,188,783,314.72	12,309,935,103.96
II. Balance as at the beginning of the year	2,956,813,200.00	-	-	-	-	5,073,338,869.19	63,432,450.00	63,432,450.00	-	4,612,641.99	1,199,819,528.06	3,188,783,314.72	12,309,935,103.96
III. Changes in the period ("-" denotes decrease)	-22,257,000.00	-	-	-	-	-41,175,450.00	-63,432,450.00	-63,432,450.00	-	2,792,624.88	-	-667,750,132.14	-664,957,507.26
(i) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-667,750,132.14	-667,750,132.14
(ii) Capital paid in and reduced by owners	-22,257,000.00	-	-	-	-	-41,175,450.00	-63,432,450.00	-63,432,450.00	-	-	-	-	-
1. Amount of share-based payments recognised in owners' equity	-22,257,000.00	-	-	-	-	-41,175,450.00	-63,432,450.00	-63,432,450.00	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserves	-	-	-	-	-	-	-	-	2,792,624.88	-	-	-	2,792,624.88
1. Withdrew in the period	-	-	-	-	-	-	-	-	2,792,624.88	-	-	-	2,792,624.88
2. Used in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance as at the end of the period	2,934,556,200.00	-	-	-	-	5,032,163,419.19	-	-	7,405,266.87	1,199,819,528.06	2,471,033,182.58	11,644,977,596.70	

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 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 2025, the total share capital of the Company was 2,934,556,200 shares. For details, please refer to Note VII. 40.

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), papermaking raw materials, machinery and chemicals; generation and sale of electric power and thermal power; forestry, saplings growing, processing and sale of timber; manufacturing, processing and sale of wood products, hotel service, investment properties and property service.

The financial statements and notes thereto were approved at the third meeting of the eleventh session of the board of directors of the Company (the “Board”) on 30 March 2026.

2. Scope of consolidation

Subsidiaries of the Company included in the scope of consolidation in 2025 totalled 72. For details, please refer to Note X “Interest in other entities”. The scope of consolidation of the Company during the year had four more companies included and nine companies less compared to the prior year. For details, please refer to Note IX “Change in scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

These financial statements are prepared in accordance with the accounting standards for business enterprises, the application guidelines thereof, interpretations and other related rules (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 basis.

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

The Company’s net profit attributable to shareholders of the Company for 2025 was RMB-8,296 million. As of 31 December 2025, the equity attributable to shareholders of the Company was RMB904 million and the current ratio was 0.16. Some of the borrowings from financial institutions and the payments for goods to suppliers were overdue and a number of litigation and arbitration cases arose from overdue debts.

In view of the above, the Board of the Company has conducted sufficient and detailed assessments after carefully considering its liquidity, operations and sources of financing in the future. The Company will take following actions to improve its ability to continue as a going concern and its operations, including:

(1) Strengthening team building to lay a solid foundation for operations, development and organisation

Under the leadership of the Company’s new management team, we will improve the cadre management system, optimise mechanisms for selecting and appointing personnel to ensure the right people are in the right roles, and establish a reserve pool of management talents and a talent pool for key positions. We will implement the management team empowerment programme to stimulate the team’s intrinsic motivation, reinforce the entire workforce’s awareness of business operations and profitability, and ensure the stability of both the workforce and the management team.

(2) Comprehensively advancing the resumption of operation and production with revitalization and optimization of existing assets

Since the suspension of production, the Company has been actively pushing for new credit facilities and ensuring the supply of raw materials and the maintenance of equipment through various channels, in order to accelerate the resumption of operation and production. Being bolstered by the robust support of Party committees and governments at all levels and financial institutions, the Huanggang base has been in normal operation, and the Shouguang base, the Jilin base, the Jiangxi base and the Zhanjiang base have successively commenced operation since August 2025. As of 13 March 2026, the five major bases have resumed full operation and production. Meanwhile, the Company will step up efforts to dispose of non-core assets, continuously optimise its asset structure and enhance its core competitiveness, thereby laying the foundation for the Company’s healthy development.

(3) Raising funds through multiple channels to systematically mitigate existing debt risks

With the resumption of full operation and production at the five major bases, the Company’s profitability gradually recover, laying a solid foundation for further broadening financing channels and optimising its capital structure. The Company coordinated to convene provincial debt committees again, and negotiate with various parties to secure further extensions and interest rate reductions, ensure funding continuity, and continue to reduce finance expenses on the other hand. The Company is actively engaging with strategic investors and supply chain funding providers to raise funds through multiple channels to ensure normal production and operations on the other hand. To date, the Company has reached agreements on loan extensions and interest rate reductions with 90 out of 109 financial institutions, and has signed framework agreements with a number of suppliers and resumed business cooperation with them, with a view to gradually resolving outstanding debts whilst continuing our collaboration.

IV. Basis of Preparation of the Financial Statements (*Continued*)

2. Going concern (*Continued*)

(4) Stepping up efforts to reduce production costs and enhance efficiency, thereby improving core production performance

The Company will recruit and cultivate high-calibre professionals, tackle equipment bottlenecks and drive forward the acceleration and modernisation of production lines, establish a refined management system to unleash production capacity through end-to-end control. Taking the machine's design speed as a benchmark, the Company are systematically identifying existing issues across all machine-paper production lines and continuing to drive forward speed-enhancement upgrades. It is expected that the average speed of some production lines will increase by 100 m/min.

The Company will set up a technical innovation department to research, develop and promote new products. The Company plans to develop 31 new products in 2026, and some new products have already been launched on the market. The Company will optimise its chemical preparation by conducting a comprehensive review and optimisation of the application scenarios and usage levels of key chemicals such as sizing agents, retention aids and brighteners, thereby reducing chemical consumption.

The Company will maintain strict control over the quality and composition of raw materials, establishing a robust quality control system from the outset. It will enforce rigorous standards for the procurement of wood chips to prevent from the inclusion of impurities such as bark and decayed wood, and continuously improve the quality of its own pulp production.

The Company will upgrade its quality control system to capitalise on the advantages of its own pulp production. The Company will establish a centralised sampling and testing centre to implement centralised management, and establish a closed-loop quality control system covering both the raw material and production stages. Through hardware upgrades such as improving the configuration of ozone bleaching equipment for chemical pulp and installing new wet-laid machines, the Company will further enhance the production efficiency and quality consistency of its own pulp, thereby maximising the advantages of its own pulp production capacity.

Through measures such as process optimisation and energy consumption monitoring to reduce energy wastage, the Company will promote a range of initiatives, including biomass co-firing technology, to continuously improve energy efficiency and comprehensively enhance the quality and efficiency of its production operations.

(5) Optimising the procurement management system with strict control over costs and supply chain risks

The Company has established a digital and transparent procurement system to fully digitise the entire tendering process, thereby overcoming geographical constraints, shortening the tendering cycle, minimising human intervention, and ensuring a highly efficient and transparent process. It has also improved its tiered supplier management and dynamic evaluation mechanisms to increase the proportion of direct sourcing, dynamically optimise the supplier database and encourage healthy competition among suppliers, with direct sourcing accounting for over 80% of suppliers. It has deepened collaboration within the industrial chain by signing long-term agreements with key suppliers and state-owned enterprises, and by fostering exemplary partner organisations. It has built an independent and controllable logistics system, deploying its fleet of new energy vehicles. By optimising payment terms and adjusting the structure of raw material procurement, the Company has extended its operations upstream to include wood chip processing, thereby ensuring a stable supply of key raw materials.

(6) Focusing on market sales to improve quality, expand sales and boost profits

The Company is restructuring its sales structure by establishing departments to focus on customer relations and product development. It is also adjusting its product portfolio to increase the proportion of high-margin products such as high-end coated paper, high brightness duplex press paper, high-end yellow kraft paper and high-end electrostatic paper and reduce the investment in low-margin products such as the white offset paper series of culture paper, whilst developing new high-value-added products and securing high-quality new clients, thereby creating new source of profit growth. Seizing industry opportunities, the Company is vigorously expanding into overseas markets to increase the overseas market share of coated paper. It is also stepping up efforts to develop direct-sales clients, increasing the proportion of direct sales, and establishing stable, sustainable and diversified market partnership models.

By implementing the above measures, the Company believes that it is appropriate to prepare the financial statements for the reporting period on a going concern basis.

X Financial Report

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are engaged in the business of machine-made paper, electricity and heat, paper chemicals, property services, hotel management, etc. The Company and its subsidiaries have formulated a number of specific accounting policies and accounting estimates for transactions and matters such as revenue recognition, determination of performance progress, and R&D expenses based on their actual production and operation characteristics in accordance with the requirements of the relevant ASBEs. For details, please refer to the descriptions under Note V. 27 “Revenue”. For an explanation of the critical accounting judgments and estimates made by the management, please refer to Note V. 35 “Critical accounting judgments and 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 12 December 2025 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for 2025.

2. Accounting period

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

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.

X Financial Report

V. Significant Accounting Policies and Accounting Estimates (Continued)

5. Determination method and selection basis of importance standards

Applicable Not applicable

Item	Importance standards
Significant accounts receivable with single provision for bad debt provisions	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 investing 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 transfers of assets	The transaction amount exceeds 0.5% of total assets
Significant pending litigations	The subject matter amount of the litigation exceeds RMB10 million
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 remeasured 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 average exchange rate for the year.

All items in the cash flow statements shall be translated at the average exchange rate for the year. Effects arising from changes of exchange rate on cash shall be presented separately as the "effect of foreign exchange rate changes on cash and cash equivalents" item in the cash flow statements.

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

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

V. Significant Accounting Policies and Accounting Estimates (Continued)

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.

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

11. Financial instruments *(Continued)*

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

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.

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.

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

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.

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.

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

11. Financial instruments *(Continued)*

(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.

Financial guarantee contracts

Financial guarantee contracts that are not designated as financial liabilities measured at fair value through profit or loss are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined using the expected credit loss model and the balance of the initial recognition amount less cumulative amortisation.

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.

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.

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

11. Financial instruments *(Continued)*

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

Measurement of ECLs *(Continued)*

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 or contract assets at a reasonable cost, it classifies bills receivable, accounts receivable and contract assets 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 of accounts receivable and the lifetime ECL rate to calculate the ECLs. The ageing 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 2: Amount due from related parties

Other receivables portfolio 3: Other receivables

For other receivables classified as a portfolio, the Company calculates the ECLs based on default risk exposure and the ECL rate over the next 12 months or the entire lifetime. 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, warranty deposits receivable and instalment receivable for asset transfers.

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 warranty 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: Warranty deposits receivable

Other long-term receivables portfolio 2: Sublease receivable for woodland

Other long-term receivables portfolio 3: Equity transfer receivables

Other long-term receivables portfolio 4: Debt transfer receivables

For finance lease receivables, warranty deposits receivable and instalment receivable for asset transfers, 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, warranty deposits receivable and instalment receivable for asset transfers, 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 are 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.

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% (exclusive) 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 of fixed assets

Fixed assets represent the tangible assets held by the Company using in the production of goods, rendering of services and for operation and administrative purposes with useful life over one year.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Company and the costs can be reliably measured.

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The cost of routine repairs of fixed assets that do not qualify as capitalised subsequent expenditure is charged to current profit or loss or included in the cost of the related assets in accordance with the beneficiary object when incurred. The carrying amount of the replaced part is derecognised.

X Financial Report

V. Significant Accounting Policies and Accounting Estimates (Continued)

16. Fixed assets (Continued)

(2) Depreciation method of fixed assets

The Company adopts the straight-line method for depreciation. Provision for depreciation will be started when the fixed asset reaches its expected usable state, and stopped when the fixed asset is derecognised or classified as a non-current asset held for sale. Without regard to the depreciation provision, the Company determines the annual depreciation rate by category, estimated useful lives and estimated residual value of the fixed assets as below:

Category	Useful life (year)	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.

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. Bearer biological assets

(1) Standards for recognising bearer biological assets

Bearer biological assets refer to biological assets held for the purpose of producing agricultural products, providing labour services or renting. The Company's bearer biological assets are mainly tea trees. Bearer biological assets are initially measured at cost. 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)	Residual value (%)	Annual depreciation rate (%)
Tea tree	20		5.00

X Financial Report

V. Significant Accounting Policies and Accounting Estimates (Continued)

20. Bearer biological assets (Continued)

(1) Standards for recognising bearer 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.

(2) Treatment of impairment of bearer biological assets

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:

Category	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.

X Financial Report

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.

Expenses in the research phase are recognised in profit or loss when incurred.

Expenses in the development phase will only be capitalised if they meet all of the following conditions: it is technically feasible to complete the intangible asset for use or sale; there is an intention to complete and use or sell the intangible asset; the intangible asset will generate economic benefits, including demonstrating that there is a market for the products produced using the intangible asset or for the intangible asset itself, and if the intangible asset is to be used internally, its usefulness can be demonstrated; there are sufficient technical, financial and other resources to support the completion of the development of the intangible asset and the ability to use or sell the intangible asset; the expenses attributable to the development phase of the intangible asset can be reliably measured. Development expenses that do not meet the above conditions are included in profit or loss for the period.

After meeting the above conditions and passing the technical feasibility and economic feasibility studies to become a formal project, the Company's research and development project will enter the development phase. Capitalised expenses in the development phase are presented as development expenses on the balance sheet and are transferred to intangible assets from the date the project is put to its intended use. 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 intended use will be tested for impairment annually, regardless of whether there is any indication of impairment.

X Financial Report

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

23. Asset impairment *(Continued)*

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

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

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

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the 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.

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.

V. Significant Accounting Policies and Accounting Estimates (Continued)

25. Employee benefits

(1) Scope of employee benefits

Employee benefits are all forms of considerations or compensation given by an enterprise 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 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.

(3) Post-employment benefits

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

Defined contribution plans

Defined contribution plans include basic pension insurance and unemployment insurance.

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

(4) Termination benefits

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

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

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

25. Employee benefits *(Continued)*

(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 be 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.

26. Provisions

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

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

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

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

27. 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, on the commencement date of the contract, 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.

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

27. Revenue *(Continued)*

(1) General principles *(Continued)*

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

For performance obligations performed within a certain period, the Company recognises revenue by measuring the progress towards completion 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 or services, 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 obtains all of the substantial risks and rewards of ownership of the goods.
- ⑤ The customer has accepted the goods or services.
- ⑥ Other information indicates that the customer has obtained control of the goods.

X Financial Report

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

27. Revenue *(Continued)*

(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, papermaking chemicals 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.

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. 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).

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

27. Revenue *(Continued)*

(2) Specific methods *(Continued)*

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.

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).

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

28. Contract costs

Contract costs are either the incremental costs of obtaining a contract or the costs to fulfil a contract.

Incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract 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 as an asset if it expects to recover those costs. Other costs of obtaining a contract, other than incremental costs that are expected to be recovered, are recognised in profit or loss in the period in which they are incurred.

If the costs to fulfil a contract 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 enhance resources of the Company that will be used in satisfying performance obligations in the future;
- ③ the costs are expected to be recovered.

Assets recognised for the costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on the same basis as the related goods or services revenue 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 by providing for the excess amount to the extent that the carrying amount of an asset related to contract costs exceeds the difference between:

- 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.

X Financial Report

V. Significant Accounting Policies and Accounting Estimates (Continued)

29. Government grants

A government grant is recognised when the grant will be received and that the Company will comply with the conditions attaching to the grant.

If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, it is measured at fair value; if the fair value cannot be obtained in a reliable way, it is measured at the nominal amount of RMB1.

Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as government grants related to assets, while the remaining government grants are classified as government grants related to revenue.

Regarding the government grant not clearly defined in the official documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to revenue. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to revenue.

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the asset in a reasonable and systematic manner. For a government grant related to revenue, if the grant is a compensation for related costs, expenses or losses incurred, the grant shall be recognised in profit or loss for the current period 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.

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

30. Deferred income tax assets and 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 arising from a business combination, which is adjusted against the carrying amount of goodwill, and deferred tax related to transactions or events that are directly recognised in owners' equity which are recognised in owners' equity.

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 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.

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 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.

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

30. Deferred income tax assets and deferred income tax liabilities *(Continued)*

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.

31. Leases

(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. 32.

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.

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

31. Leases *(Continued)*

(2) The Company as lessee *(Continued)*

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.

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.

V. Significant Accounting Policies and Accounting Estimates (Continued)

31. Leases (Continued)

(3) The Company as lessor

When the Company is a lessor, a lease is recognised 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 recognised 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.

Operating lease

Lease payments under operating leases are recognised in profit or loss for the current period 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 as the book value of the lease asset; ② If the modification takes effect on the lease commencement date, the lease will be classified as a finance lease, and the Company will conduct accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on modifying or renegotiating contracts.

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

31. Leases *(Continued)*

(4) Sublease

When the Company is an intermediate lessor, the sublease is classified with reference to the right-of-use assets arising from the head lease. If the head lease is a short-term lease for which the Company adopts a simplified approach, then the Company classifies the sublease as an operating lease.

(5) Sale and leaseback

The lessee and the lessor shall assess and determine whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the requirements of the Accounting Standard for Business Enterprises No. 14 – Revenue.

Where asset transfer under the sale and leaseback transactions is a sale, the lessee shall measure the right – of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognise relevant profit or loss for the right transferred to the lessor. The lessor shall account for the purchase of assets in accordance with other applicable ASBEs and account for the lease of assets in accordance with the Accounting Standard for Business Enterprises No. 21 – Lease.

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; the lessor shall not 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.

32. 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)

33. 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 and maintenance costs are included in the cost of related products or profit or loss of the current period, and are 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.

34. 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.

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.

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

34. Debt restructuring (*Continued*)

(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 initial investment cost 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 included 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 included in the current profit and loss.

V. Significant Accounting Policies and Accounting Estimates (Continued)

35. 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:

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 amount of future taxable profits together with future tax planning strategies.

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 regular basis.

Measurement of past due credit losses on finance lease receivables

The Company calculates the ECLs of financial lease receivables using the exposure to default risk and ECL rate of financial lease receivables, 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)*

35. Critical accounting judgments and estimates *(Continued)*

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 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. If the net realisable value is below the cost of inventories, a provision for inventory impairment is made.

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.

36. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

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

(2) Changes in significant accounting estimates

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

(3) First-time implementation of new accounting standards from 2025 onwards involving adjustments to the financial statements at the beginning of the year of initial application

Applicable Not applicable

X 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	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
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15
Huanggang Chenming Pulp & Paper Co., Ltd.	15
Shouguang Xinyuan Coal Co., Ltd.	20
Shouguang Chenming Papermaking Machine 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 7 December 2024, the Company received a high and new technology enterprise certificate with a certification number of GR202437001530. 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 2024 to 2026.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202437000114 on 7 December 2024. 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 2024 to 2026.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202522000396 on 28 October 2025. 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 2025 to 2027.

X Financial Report

VI. Taxation *(Continued)*

2. Tax incentives *(Continued)*

(1) Enterprise income tax *(Continued)*

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202444002840 on 19 November 2024. 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 2024 to 2026.

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.

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, are entitled to preferential tax treatment, and have completed the filings for EIT reduction for exemption from EIT.

Shouguang Xinyuan Coal Co., Ltd. and Shouguang Chenming Papermaking Machine 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.

X Financial Report

VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	2,409,711.16	1,363,319.76
Bank deposit	134,887,171.18	150,579,926.55
Other monetary funds	63,728,850.28	5,728,747,806.12
Interest accrued on deposits	9,372,989.33	29,188,759.75
Total	210,398,721.95	5,909,879,812.18
Including: Total deposits in overseas banks	87,837,664.31	90,613,912.87

Other explanations:

- ① Other monetary funds of RMB731,682.03 were the guarantee deposit for the application for acceptance bills by the Company;
- ② Other monetary funds of RMB22,001,346.27 were the guarantee deposit for the application for letter of credit with the banks by the Company;
- ③ Other monetary funds of RMB5,740,595.00 were the guarantee deposit for the application for loans with the banks by the Company.
- ④ At the end of the reporting period, other monetary funds of RMB721,316.33 were the guarantee deposit of time deposit placed by the Company with the banks.
- ⑤ Other monetary funds of RMB34,533,910.65 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	38,791,121.74	37,259,325.70
Including: Investment in equity instruments	38,791,121.74	37,259,325.70
Total	38,791,121.74	37,259,325.70

Other explanation:

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

X 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 bill	793,939,333.83	
Commercial acceptance bills		506,605,701.74
Total	793,939,333.83	506,605,701.74

(2) Bills receivable endorsed or discounted by the Company but not yet due as at the balance sheet date at the end of the reporting period

Unit: RMB

Item	Amount derecognised as at the end of the reporting period	Amount not yet derecognised as at the end of the reporting period
Bank acceptance bills		790,446,731.06
Total		790,446,731.06

(3) Bills transferred to accounts receivable due to non-performance of the issuer at the end of the reporting period

Unit: RMB

Item	Amounts transferred to accounts receivable at the end of the reporting period
Commercial acceptance bills	27,600,000.00

X Financial Report

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

4. Accounts receivable

(1) Disclosure by ageing

Unit: RMB

Ageing	Closing book balance	Opening book balance
Within 1 year (including 1 year)	678,753,229.22	929,046,115.66
1 to 2 years	101,784,033.19	274,913,099.67
2 to 3 years	33,088,622.94	352,196,765.13
Over 3 years	364,766,347.06	1,112,205,999.57
Subtotal	1,178,392,232.41	2,668,361,980.03
Less: Bad debt provision	435,648,096.21	1,284,071,666.33
Total	742,744,136.20	1,384,290,313.70

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.

(2) Disclosure by bad debt provision method

Unit: RMB

Category	Closing balance		Bad debt provision		Book value	Opening balance		Bad debt provision		Book value
	Book balance	Percentage	Amount	Provision percentage		Book balance	Percentage	Amount	Provision percentage	
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Accounts receivable assessed individually for bad debt provision	330,577,872.37	28.05	330,462,462.30	99.97	115,410.07	252,399,157.18	9.46	244,457,449.18	96.85	7,941,708.00
Accounts receivable assessed collectively for bad debt provision	847,814,360.04	71.95	105,185,633.91	12.41	742,628,726.13	2,415,962,822.85	90.54	1,039,614,217.15	43.03	1,376,348,605.70
Including:										
Due from related party customers	4,293,349.49	0.37	367,735.61	8.57	3,925,613.88	1,945,551.12	0.07	13,618.86	0.7	1,931,932.26
Due from non-related party customers	843,521,010.55	71.58	104,817,898.30	12.43	738,703,112.25	1,153,594,000.22	43.23	126,192,125.69	10.94	1,027,401,874.53
Factoring receivables						1,260,423,271.51	47.24	913,408,472.60	72.47	347,014,798.91
Total	1,178,392,232.41	100	435,648,096.21	36.97	742,744,136.20	2,668,361,980.03	100	1,284,071,666.33	48.12	1,384,290,313.70

X 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 individually for bad debt provision:

Unit: RMB

Name	Book balance	Closing balance		Reasons for making provision
		Bad debt provision	Provision percentage (%)	
Customer 1	26,697,528.70	26,697,528.70	100.00	Long outstanding
Customer 2	19,898,829.81	19,898,829.81	100.00	Long outstanding
Customer 3	14,813,369.27	14,813,369.27	100.00	Long outstanding
Customer 4	14,453,432.93	14,453,432.93	100.00	Long outstanding
Customer 5	13,396,601.22	13,396,601.22	100.00	Long outstanding
Customer 6	10,954,285.12	10,954,285.12	100.00	Long outstanding
Customer 7	10,624,137.64	10,624,137.64	100.00	Long outstanding
Customer 8	10,614,691.35	10,614,691.35	100.00	Long outstanding
Customer 9	10,250,525.02	10,250,525.02	100.00	Long outstanding
72 companies including customer 10	198,874,471.31	198,759,061.24	99.94	Long outstanding
Total	330,577,872.37	330,462,462.30	99.97	

Unit: RMB

Name	Book balance	Opening balance		Reasons for making provision
		Bad debt provision	Provision percentage (%)	
Customer 1	26,697,528.70	26,697,528.70	100	Long outstanding
Customer 2	17,600,000.00	9,658,292.00	54.88	Long outstanding
Customer 3	14,813,369.27	14,813,369.27	100	Long outstanding
Customer 4	14,453,432.93	14,453,432.93	100	Long outstanding
Customer 5	13,396,601.22	13,396,601.22	100	Long outstanding
Customer 6	10,954,285.12	10,954,285.12	100	Long outstanding
Customer 7	10,624,137.64	10,624,137.64	100	Long outstanding
Customer 8	10,614,691.35	10,614,691.35	100	Long outstanding
Customer 9	10,250,525.02	10,250,525.02	100	Long outstanding
46 companies including customer 10	122,994,585.93	122,994,585.93	100	Long outstanding
Total	252,399,157.18	244,457,449.18	96.85	

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

4. Accounts receivable (Continued)

(2) Disclosure by bad debt provision method (Continued)

Categories being assessed collectively for bad debt provision: 2

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

Unit: RMB

Name	Closing balance		Provision percentage (%)
	Book balance	Bad debt provision	
Within 1 year	3,422,664.43	105,049.93	3.07
1 to 2 years	870,685.06	262,685.68	30.17
Total	4,293,349.49	367,735.61	8.57

Category being assessed collectively for bad debt provision: Due from non-related party customers

Unit: RMB

Name	Closing balance		Provision percentage (%)
	Book balance	Bad debt provision	
Within 1 year	675,330,564.79	18,168,780.78	2.69
1 to 2 years	100,913,348.13	34,646,259.90	34.33
2 to 3 years	13,189,793.13	7,139,652.94	54.13
Over 3 years	54,087,304.50	44,863,204.68	82.95
Total	843,521,010.55	104,817,898.30	12.43

Whether the bad debt provision for accounts receivable is made according to the general model of ECLs:

Applicable Not applicable

(3) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Written-off	Others	
Bad debt provision	1,284,071,666.33	304,132,733.41	3,641,227.24	18,860,003.86	-1,130,055,072.43	435,648,096.21
Total	1,284,071,666.33	304,132,733.41	3,641,227.24	18,860,003.86	-1,130,055,072.43	435,648,096.21

Explanation: "Others" included a decrease in bad debts of RMB1,129,969,628.31 from disposal of subsidiaries, and a decrease in bad debts of RMB85,444.12 due to changes in exchange rates.

X Financial Report

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

4. Accounts receivable (Continued)

(4) Top five accounts receivable and contract assets based on closing balance of debtors

The total amount of top five accounts receivable based on closing balance of debtors for the period amounted to RMB215,385,582.38 in total, accounting for 18.28% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB66,103,945.53 in total.

Unit: RMB

Name of entity	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	As a percentage of the closing balance of the total accounts receivable and contract assets (%)	Closing balance of bad debt provision of accounts receivable and impairment allowance for contract assets
Customer 1	57,622,476.41		57,622,476.41	4.89	1,550,044.62
Customer 2	45,493,811.40		45,493,811.40	3.86	45,493,811.40
Customer 3	45,453,103.07		45,453,103.07	3.86	1,222,688.47
Customer 4	35,092,837.57		35,092,837.57	2.98	16,984,042.82
Customer 5	31,723,353.93		31,723,353.93	2.69	853,358.22
Total	215,385,582.38		215,385,582.38	18.28	66,103,945.53

5. Accounts receivable financing

(1) Accounts receivable financing by category

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	35,978,138.45	100,730,797.32
Total	35,978,138.45	100,730,797.32

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 reporting 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.

X Financial Report

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

5. Accounts receivable financing (Continued)

- (2) Accounts receivable financing endorsed or discounted but not yet due as at the balance sheet date at the end of the reporting period

Unit: RMB

Item	Amount derecognised as at the end of the reporting period	Amount not yet derecognised as at the end of the reporting period
Bank acceptance bills	1,623,727,215.08	
Total	1,623,727,215.08	

Explanation: Bank acceptance bills used for discounting were accepted by banks with higher credit ratings, the credit risk and deferred payment risk 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.

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividend receivable		22,659,149.81
Other receivables	302,065,195.40	1,061,992,721.13
Total	302,065,195.40	1,084,651,870.94

(1) Dividends receivable

- 1) Classification of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)		22,659,149.81
Total		22,659,149.81

X Financial Report

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

6. Other receivables (Continued)

(2) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	530,150,792.13	2,522,792,110.64
Guarantee deposit and deposit	17,728,522.85	14,874,445.09
Reserve and borrowings	7,630,872.36	16,114,760.18
Others	8,967,157.23	7,975,085.22
Subtotal	564,477,344.57	2,561,756,401.13
Less: Bad debt provision	262,412,149.17	1,499,763,680.00
Total	302,065,195.40	1,061,992,721.13

2) Disclosure by ageing

Unit: RMB

Ageing	Closing book balance	Opening book balance
Within 1 year (including 1 year)	90,215,052.30	680,590,285.93
1 to 2 years	229,760,548.66	409,320,986.47
2 to 3 years	14,229,629.01	198,957,834.50
Over 3 years	230,272,114.60	1,272,887,294.23
Subtotal	564,477,344.57	2,561,756,401.13
Less: Bad debt provision	262,412,149.17	1,499,763,680.00
Total	302,065,195.40	1,061,992,721.13

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.

X Financial Report

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

6. Other receivables (Continued)

(2) 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.

As at the end of the reporting period, closing bad debt provision at stage 1:

Category	Book balance	ECL rate for the next 12 months (%)	Bad debt provision	Carrying amount
Items assessed collectively for bad debt provision	389,754,487.59	27.81	108,382,164.36	281,372,323.23
Amount due from government agencies	7,377,645.24	10.31	760,793.30	6,616,851.94
Amount due from related parties	257,408,963.53	31.90	82,110,849.54	175,298,113.99
Other receivables	124,967,878.82	20.41	25,510,521.52	99,457,357.30
Total	389,754,487.59	27.81	108,382,164.36	281,372,323.23

As at the end of the reporting period, the Group did not have interest receivables, dividends receivables and other receivables in stage 2.

Closing bad debt provision at stage 3

Category	Book balance	Lifetime ECL rate (%)	Bad debt provision	Carrying amount
Items assessed individually for bad debt provision	174,722,856.98	88.16	154,029,984.81	20,692,872.17
Total	174,722,856.98	88.16	154,029,984.81	20,692,872.17

X Financial Report

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

6. Other receivables (Continued)

(2) Other receivables (Continued)

3) Particulars of bad debt provision (Continued)

Items assessed individually for bad debt provision:

Unit: RMB

Name	Book balance	Bad debt provision	Closing balance	
			Provision percentage (%)	Reason for provision
Customer 1	42,786,737.29	32,120,815.44	75.07	Uncertain recovery to a certain extent
Customer 2	9,408,410.84	4,793,316.47	50.95	Uncertain recovery to a certain extent
Customer 3	6,197,937.85	6,197,937.85	100.00	Uncertain recovery to a certain extent
Customer 4	6,000,000.00	6,000,000.00	100.00	Uncertain recovery to a certain extent
213 customers including customer 5	110,329,771.00	104,917,915.05	95.09	Uncertain recovery to a certain extent
Total	174,722,856.98	154,029,984.81	88.16	

Bad debt provision based on the general model of ECLs:

Unit: RMB

Bad debt 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 2025	56,487,807.03		1,443,275,872.97	1,499,763,680.00
Balance as at 1 January 2025 for the period				
- Transferred to stage 2				
- Transferred to stage 3				
- Transferred to stage 2				
- Transferred to stage 1				
Provision for the period	65,179,688.62		453,913,465.21	519,093,153.83
Reversal for the period	12,567,406.37		42,750,819.10	55,318,225.47
Transfer for the period				
Write-off for the period	87.81		11,473,637.53	11,473,725.34
Other changes	-717,837.11		-1,688,934,896.74	-1,689,652,733.85
Balance as at 31 December 2025	108,382,164.36		154,029,984.81	262,412,149.17

Explanation: "Others" included a decrease in bad debts of RMB1,689,619,079.75 from disposal of subsidiaries, and a decrease in bad debts of RMB33,654.10 due to changes in exchange rates.

X Financial Report

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

6. Other receivables (Continued)

(2) 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 debt provision for other receivables	1,499,763,680.00	519,093,153.83	55,318,225.47	11,473,725.34	-1,689,652,733.85	262,412,149.17
Total	1,499,763,680.00	519,093,153.83	55,318,225.47	11,473,725.34	-1,689,652,733.85	262,412,149.17

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 period was RMB342,155,192.10, which accounted for 57.68% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB106,418,910.16.

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	Financial support	161,681,854.41	Within 1 year and 1 to 2 years	28.64	30,010,602.34
Customer 2	Financial support	83,230,249.84	1 to 4 years	14.74	41,564,674.85
Customer 3	Open credit	42,786,737.29	4 to 5 years and over 5 years	7.58	32,120,815.44
Customer 4	Open credit	20,610,819.36	Within 1 year	3.65	1,030,540.97
Customer 5	Open credit	17,316,806.81	Within 1 year and 1 to 5 years	3.07	7,020,135.34
Total		325,626,467.71		57.68	111,746,768.94

X 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	175,145,505.30	62.12	592,705,315.78	93.80
1 to 2 years	106,785,382.77	37.88	39,188,179.36	6.20
Total	281,930,888.07	100.00	631,893,495.14	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 RMB79,553,621.88, accounting for 28.22% 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 (%)
Supplier 1	37,628,281.71	13.35
Supplier 2	12,520,584.08	4.44
Supplier 3	11,730,248.09	4.16
Supplier 4	8,974,508.00	3.18
Supplier 5	8,700,000.00	3.09
Total	79,553,621.88	28.22

X 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	1,717,133,758.35	17,057,043.13	1,700,076,715.22	1,225,049,193.59	15,709,012.21	1,209,340,181.38
Work-in-process products	22,951,311.02		22,951,311.02	121,749,898.40		121,749,898.40
Goods in stock	559,227,643.16	29,138,403.73	530,089,239.43	269,949,625.20	22,030,676.68	247,918,948.52
Consumable biological assets	1,063,081,495.03		1,063,081,495.03	1,256,379,773.85		1,256,379,773.85
Total	3,362,394,207.56	46,195,446.86	3,316,198,760.70	2,873,128,491.04	37,739,688.89	2,835,388,802.15

Note: Consumable biological assets are forestry assets.

(2) Impairment provision for inventories and performance costs

Unit: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	15,709,012.21	2,679,681.98		1,331,651.06		17,057,043.13
Goods in stock	22,030,676.68	29,138,403.73		22,030,676.68		29,138,403.73
Total	37,739,688.89	31,818,085.71		23,362,327.74		46,195,446.86

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

X 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	194,204,719.66	2,840,365,519.48
Total	194,204,719.66	2,840,365,519.48

Explanations: ① Long-term receivables due within one year as at the end of the reporting period amounting to RMB0.00 (amount for the prior year: RMB2,816,898,675.87) were financial lease receivables;

② Long-term receivables due within one year as at the end of the reporting period amounting to RMB17,874,763.63 (amount for the prior year: RMB23,098,378.89) were deposits receivable;

③ Long-term receivables due within one year as at the end of the reporting period amounting to RMB368,464.72 (amount for the prior year: RMB368,464.72) were sublease receivables;

④ Long-term receivables due within one year as at the end of the reporting period amounting to RMB175,961,491.31 (amount for the prior year: RMB0.00) were equity transfer receivables.

(1) Long-term receivables due within one year

Applicable Not applicable

10. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Input tax amount to be deducted	195,703,989.75	135,623,629.69
Prepaid expenses	44,689,608.58	144,335,745.61
Prepaid tax	9,103,609.81	7,659,808.66
Receivables under financial lease due within one year		182,672,726.43
Factoring receivables due within one year		74,820,340.44
Other payments	2,798,952.00	14,798,952.00
Total	252,296,160.14	559,911,202.83

X 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 debt provision	Carrying amount		Bad debt provision	Carrying amount	
Finance lease payments				5,247,340,922.67	2,041,452,234.56	3,205,888,688.11	4%-12%
Less: Unrealised financing income				121,865,194.82		121,865,194.82	
Deposit for finance lease	131,898,975.36		131,898,975.36	247,738,958.47		247,738,958.47	3%-12%
Less: Unrealised financing income	22,819,303.12		22,819,303.12	25,782,566.94		25,782,566.94	
Sublease receivable for woodland	19,799,728.16	899,519.98	18,900,208.18	18,790,408.36	899,519.98	17,890,888.38	3.60%
Less: Unrealised financing income	6,941,058.10		6,941,058.10	6,803,007.48		6,803,007.48	
Equity transfer receivables	743,396,900.00		743,396,900.00				3.50%
Less: Unrealised financing income	56,582,365.94		56,582,365.94				
Debt transfer receivables	2,262,956,136.67		2,262,956,136.67				3.50%
Less: Unrealised financing income	508,717,826.72		508,717,826.72				
Subtotal	2,562,991,186.31	899,519.98	2,562,091,666.33	5,359,419,520.26	2,042,351,754.54	3,317,067,765.72	
Less: Long-term receivables due within one year	194,204,719.66		194,204,719.66	4,867,758,553.13	2,027,393,033.65	2,840,365,519.48	
Less: Classified as other current liabilities	29,274,914.41		29,274,914.41	196,410,443.69		196,410,443.69	
Total	2,339,511,552.24	899,519.98	2,338,612,032.26	295,250,523.44	14,958,720.89	280,291,802.55	

(2) Disclosure by bad debt provision method

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage (%)	Bad debt provision			Amount	Percentage (%)	Bad debt provision		
			Amount	Provision percentage (%)				Amount	Provision percentage (%)	
Items assessed collectively for bad debt provision	2,339,511,552.24	100.00	899,519.98	0.04	2,338,612,032.26	295,250,523.44	100.00	14,958,720.89	5.07	280,291,802.55
Including:										
Receivables not past due						281,184,018.32	95.24	14,059,200.91	5.00	267,124,817.41
Sublease receivable for woodland	12,490,205.34	0.53	899,519.98	7.20	11,590,685.36	11,618,936.16	3.93	899,519.98	7.74	10,719,416.18
Deposits receivable	61,929,994.20	2.65			61,929,994.20	2,447,568.96	0.83			2,447,568.96
Equity transfer receivables	510,853,042.75	21.84			510,853,042.75					
Debt transfer receivables	1,754,238,309.95	74.98			1,754,238,309.95					
Total	2,339,511,552.24	100.00	899,519.98	0.04	2,338,612,032.26	295,250,523.44	100.00	14,958,720.89	5.07	280,291,802.55

X Financial Report

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

11. Long-term receivables (Continued)

(2) Disclosure by bad debt provision method (Continued)

Items assessed collectively for bad debt provision: Receivables not past due

Unit: RMB

	Closing balance			Balance as at the end of the prior year		
	Long-term receivables	Bad debt provision	ECL rate (%)	Long-term receivables	Bad debt provision	ECL rate (%)
Within 1 year						
1 to 2 years				85,192,921.52	4,259,646.06	5.00
2 to 3 years				85,192,921.54	4,259,646.08	5.00
Over 3 years				110,798,175.26	5,539,908.77	5.00
Total				281,184,018.32	14,059,200.91	5.00

Items assessed collectively for bad debt provision: Sublease receivable for woodland

Unit: RMB

	Closing balance			Balance as at the end of the prior year		
	Long-term receivables	Bad debt provision	ECL rate (%)	Long-term receivables	Bad debt provision	ECL rate (%)
Within 1 year						
1 to 2 years	44,716.69	1,082.14	2.42	381,729.44	9,237.43	2.42
2 to 3 years	46,326.50	1,894.75	4.09	395,471.70	16,179.23	4.09
Over 3 years	12,399,162.15	896,543.09	7.23	10,841,735.02	874,103.32	8.06
Total	12,490,205.34	899,519.98	7.20	11,618,936.16	899,519.98	7.74

Items assessed collectively for bad debt provision: Deposits receivable

Unit: RMB

	Closing balance			Balance as at the end of the prior year		
	Long-term receivables	Bad debt provision	ECL rate (%)	Long-term receivables	Bad debt provision	ECL rate (%)
Within 1 year						
1 to 2 years	19,843,812.58			2,204,172.55		
2 to 3 years	4,274,512.29			243,396.41		
Over 3 years	37,811,669.33					
Total	61,929,994.20			2,447,568.96		

X Financial Report

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

11. Long-term receivables (Continued)

(2) Disclosure by bad debt provision method (Continued)

Items assessed collectively for bad debt provision: Equity transfer receivables

Unit: RMB

	Closing balance			Balance as at the end of the prior year		
	Long-term receivables	Bad debt provision	ECL rate (%)	Long-term receivables	Bad debt provision	ECL rate (%)
1 to 2 years	182,120,143.50					
2 to 3 years	238,494,348.53					
Over 3 years	90,238,550.72					
Total	510,853,042.75					

Items assessed collectively for bad debt provision: Debt transfer receivables

Unit: RMB

	Closing balance			Balance as at the end of the prior year		
	Long-term receivables	Bad debt provision	ECL rate (%)	Long-term receivables	Bad debt provision	ECL rate (%)
Within 1 year						
1 to 2 years						
2 to 3 years						
Over 3 years	1,754,238,309.95					
Total	1,754,238,309.95					

(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 debt provision	14,958,720.89				-14,059,200.91	899,519.98
Total	14,958,720.89				-14,059,200.91	899,519.98

Explanation: "Others" included a decrease in bad debts of RMB14,059,200.91 from disposal of subsidiaries

X 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	Change for the period					Closing balance (carrying amount)	Closing impairment provision	
					Investment gain or loss recognised under equity method	Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision			Others
I. Joint ventures												
Shouguang Chenming Huisen New-style												
Construction Materials Co., Ltd.	8,368,935.72				259,312.75						8,628,248.47	
Weifang Port Wood Chip Wharf Co., Ltd.	87,317,015.51				-14,268,788.56						73,048,226.95	
Shouguang Meite Environmental												
Technology Co., Ltd.	17,960,215.27				-2,402,458.95						15,557,756.32	
Shouguang Jintou Industrial Investment												
Partnership (Limited Partnership)	1,779,091,176.56		897,736,842.91		-881,354,333.65							
Weifang Xingxing United Chemical Co., Ltd.	78,795,494.34	13,078,890.78						17,565,000.00			61,230,494.34	30,643,890.78
Subtotal	1,971,532,837.40	13,078,890.78		897,736,842.91	-897,766,268.41			17,565,000.00			158,464,726.08	30,643,890.78
II. Associates												
Zhuhai Dechen New Third Board Equity												
Investment Fund Company (Limited Partnership)	27,167,682.31				-2,391,537.09						24,776,145.22	
Ningbo Kaichen Huamei Equity												
Investment Fund Partnership (Limited Partnership)	135,554,820.00				10,527,197.37						146,082,017.37	
Nanchang Tianchen Port Co., Ltd.	56,995,531.95				1,175,839.86			6,110,988.50			52,060,383.31	6,110,988.50
Goldtrust Futures Co., Ltd.	194,450,748.14	4,010,000.00			4,882,718.93						199,333,467.07	4,010,000.00
Xuchang Chenming Paper Co., Ltd.		5,994,545.96										5,994,545.96
Chenming (Qingdao) Asset Management												
Co., Ltd.	826,793.21				2,489,134.31						3,315,927.52	
Wuhan Chenming Hanyang Paper												
Holdings Co., Ltd.	229,854,588.36				235,897.86			4,048,296.84			226,042,189.38	4,048,296.84
Guangdong Nanyue Bank Co., Ltd.	1,354,652,410.17				-60,811,105.19	-7,962,815.66					1,285,878,489.32	
Subtotal	1,999,502,574.14	10,004,545.96			-43,891,853.95	-7,962,815.66		10,159,285.34			1,937,488,619.19	20,163,831.30
Total	3,971,035,411.54	23,083,436.74		897,736,842.91	-941,658,122.36	-7,962,815.66		27,724,285.34			2,095,953,345.27	50,807,722.08

Explanation: The Company estimates the fair value of an investee on the balance sheet date by conducting profit forecasts on the investee or hiring an appraisal organisation to conduct appraisals. Disposal expenses which mainly taking the corporate income tax on equity transfer are used to estimate the recoverable amount of the related investment. 10-year treasury rate is selected as the risk - free rate, and the average market yield is calculated and determined based on the Shanghai Stock Exchange Composite Index and the Shenzhen Stock Exchange Composite Index over the past 15 years; The Company's equity investments in Goldtrust Futures Co., Ltd., Shouguang Chenming Huisen New-style Construction Materials Co., Ltd., Weifang Port Wood Chip Wharf Co., Ltd., Shouguang Meite Environmental Technology Co., Ltd., Weifang Xingxing United Chemical Co., Ltd. and Guangdong Nanyue Bank Co., Ltd. had been frozen due to overdue debts and other reasons.

X Financial Report

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

12. Long-term equity investments (Continued)

Determination of net amount of recoverable amount measured at fair value after deducting disposal expenses

Applicable Not applicable

Unit: RMB

Item	Carrying amount	Recoverable amount	Impairment	Determination of fair value and disposal expenses	Key parameter	Basis of determination of key parameter
Weifang Xingxing United Chemical Co., Ltd.	78,795,494.34	61,230,494.34	17,565,000.00	Contracts or agreements		
Nanchang Tianchen Port Co., Ltd.	58,171,371.81	52,060,383.31	6,110,988.50	Contracts or agreements		
Wuhan Chenming Hanyang Paper Holdings Co., Ltd	230,090,486.22	226,042,189.38	4,048,296.84	Contracts or agreements		
Total	367,057,352.37	339,333,067.03	27,724,285.34			

Determination of recoverable amount based on the present value of expected future cash flows

Applicable Not applicable

13. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Investment in debt instruments	241,977,314.93	650,001,725.86
Investment in equity instruments	85,957,311.39	101,028,728.82
Total	327,934,626.32	751,030,454.68

X 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	Total
I. Original carrying amount		
1. Opening balance	7,134,063,378.49	7,134,063,378.49
2. Increase during the period		
(1) Purchase		
3. Decrease during the period	172,061,891.55	172,061,891.55
(1) Disposal	172,061,891.55	172,061,891.55
4. Closing balance	6,962,001,486.94	6,962,001,486.94
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	1,288,600,119.94	1,288,600,119.94
2. Increase during the period	191,638,494.63	191,638,494.63
(1) Provision or amortisation	191,638,494.63	191,638,494.63
3. Decrease during the period	29,219,769.45	29,219,769.45
(1) Disposal	29,219,769.45	29,219,769.45
4. Closing balance	1,451,018,845.12	1,451,018,845.12
III. Impairment provision		
1. Opening balance	102,227,990.09	102,227,990.09
2. Increase during the period	6,690,930.16	6,690,930.16
(1) Provision	6,690,930.16	6,690,930.16
3. Decrease during the period		
(1) Disposal		
4. Closing balance	108,918,920.25	108,918,920.25
IV. Carrying amount		
1. Closing carrying amount	5,402,063,721.57	5,402,063,721.57
2. Opening carrying amount	5,743,235,268.46	5,743,235,268.46

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 office property of Shanghai Heruiming Property Management 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;

X Financial Report

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

14. Investment property (Continued)

(1) Investment property under the cost method (Continued)

- 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.

Explanation: ① The Company conducted impairment tests on the property assets accounted for as investment properties at, among others, Pujiang International Finance Plaza, Shenzhen Zhuoyue Baozhong Times Square (深圳卓越寶中時代廣場) and Guangzhou Yuexiu Zhengjia Oriental International Plaza (廣州越秀正佳東方國際廣場), by hiring an appraisal organisation or conducting internal estimations to estimate the recoverable amount. The recoverable amount was determined as the net amount of fair value less disposal expenses, with fair value primarily based on the market prices of similar commercial properties in the vicinity of the property. Disposal expenses included selling expenses and relevant taxes and fees associated with asset disposal; ② For details of restricted ownership, please refer to note VII. 24.

Determination of recoverable amount as the net amount of fair value less disposal expenses

Applicable Not applicable

Item	Carrying amount	Recoverable amount	Impairment	Determination of fair value and disposal		Basis of determination of key parameter
				expenses	Key parameter	
Pujiang International Finance Plaza	3,753,904,255.11	3,747,213,324.95	6,690,930.16	Assessment	Transaction unit price in the commercial property market	Determined based on market surveys.
Total	3,753,904,255.11	3,747,213,324.95	6,690,930.16			

Determination of recoverable amount based on the present value of expected future cash flows

Applicable Not applicable

(2) Investment property under the fair value method

Applicable Not applicable

(3) Particulars of investment property without obtaining property right certificates

The Company has no investment property without obtaining property right certificates.

15. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	29,219,679,495.81	31,855,069,324.04
Disposal of fixed assets	[•]	[•]
Total	29,219,679,495.81	31,855,069,324.04

X 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	Transportation equipment	Electronic equipment and others	Total
I. Original carrying amount:					
1. Opening balance	11,820,547,859.70	43,724,325,201.35	268,370,299.02	380,586,884.62	56,193,830,244.69
2. Increase during the period	9,685,184.65	81,662,343.01	1,006,811.65	25,101,495.15	117,455,834.46
(1) Acquisition	8,483,349.78	80,183,769.32	1,006,811.65	1,657,971.83	91,331,902.58
(2) Transferred from construction in progress	1,201,834.87	1,478,573.69		23,443,523.32	26,123,931.88
3. Decrease during the period	187,652,108.15	476,970,512.45	27,516,895.84	5,783,865.16	697,923,381.60
(1) Disposal or retirement	187,652,108.15	476,970,512.45	27,516,895.84	5,783,865.16	697,923,381.60
4. Closing balance	11,642,580,936.20	43,329,017,031.91	241,860,214.83	399,904,514.61	55,613,362,697.55
II. Accumulated depreciation					
1. Opening balance	2,900,330,968.52	20,704,110,792.91	214,213,548.69	254,658,460.96	24,073,313,771.08
2. Increase during the period	300,840,075.21	1,761,645,769.44	8,936,734.75	3,739,568.49	2,075,162,147.89
(1) Provision	300,840,075.21	1,761,645,769.44	8,936,734.75	3,739,568.49	2,075,162,147.89
3. Decrease during the period	10,921,706.92	348,289,481.73	22,688,339.02	5,178,717.77	387,078,245.44
(1) Disposal or retirement	10,921,706.92	348,289,481.73	22,688,339.02	5,178,717.77	387,078,245.44
4. Closing balance	3,190,249,336.81	22,117,467,080.62	200,461,944.42	253,219,311.68	25,761,397,673.53
III. Impairment provision					
1. Opening balance	65,307,038.71	192,690,987.81	13,889.13	7,435,233.92	265,447,149.57
2. Increase during the period	51,778,601.69	418,012,059.08			469,790,660.77
(1) Provision	51,778,601.69	418,012,059.08			469,790,660.77
3. Decrease during the period	50,000,000.00	52,952,282.13			102,952,282.13
(1) Disposal or retirement	50,000,000.00	52,952,282.13			102,952,282.13
4. Closing balance	67,085,640.40	557,750,764.76	13,889.13	7,435,233.92	632,285,528.21
IV. Carrying amount					
1. Closing carrying amount	8,385,245,958.99	20,653,799,186.53	41,384,381.28	139,249,969.01	29,219,679,495.81
2. Opening carrying amount	8,854,909,852.47	22,827,523,420.63	54,142,861.20	118,493,189.74	31,855,069,324.04

Explanation: The Company conducted impairment tests on the property assets accounted for as fixed assets at, among others, Pujiang International Finance Plaza and Chenming Cultural Square, by hiring an appraisal organisation or conducting internal estimations to estimate the recoverable amount. The recoverable amount of an asset is the higher of its fair value less disposal expenses and the present value of the future cash flows expected to be derived from the asset, with fair value primarily based on the market prices of similar commercial assets in the vicinity of the property assets. Disposal expenses included selling expenses and relevant taxes and fees associated with asset disposal; The Company conducted impairment tests on the machinery and equipment of major manufacturing companies, determination of recoverable amount of the relevant equipment based on present value of expected net cash flows.

X 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	Impairment provision	Carrying amount	Remark
Housing and building structure	72,464,084.41	28,507,077.07	3,093,008.64	40,863,998.70	
Machinery and equipment	1,361,720,732.33	777,777,856.80	335,910,673.67	248,032,201.86	
Electronic equipment	1,851,227.95	1,587,755.71	251,732.52	11,739.72	
Total	1,436,036,044.69	807,872,689.58	339,255,414.83	288,907,940.28	

(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 (Chongmin Culture Development (Shanghai) Co., Ltd.)	1,114,121,167.78	Under application
Housing and building structure (Zhanjiang Chenming Pulp & Paper Co., Ltd.)	921,921,749.55	Under application
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	454,016,356.26	Under application
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	183,560,131.89	Under application
Housing and building structure (Shandong Chenming Paper Holdings Limited)	129,601,811.78	Under application
Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.)	22,112,950.97	Under application
Total	2,825,334,168.23	

X Financial Report

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

15. Fixed assets (Continued)

(4) Impairment test on fixed assets

Applicable Not applicable

Determination of recoverable amount as the net amount of fair value less disposal expenses

Applicable Not applicable

Unit: RMB

Item	Carrying amount	Book value	Impairment	Determination of fair value and disposal expenses	Key parameter	Basis of determination of key parameter
Pujiang International Finance Plaza	983,414,112.71	981,635,511.02	1,778,601.69	Assessment	Transaction unit price in the commercial property market	Determined based on market surveys.
Yunnan Murong Xincheng Real Estate	70,983,076.60	20,983,076.60	50,000,000.00	Assessment	Transaction unit price in the commercial property market	Determined based on market surveys.
Machinery and equipment	809,413,196.02	391,401,136.94	418,012,059.08	Market Inquiry	N/A	N/A
Total	1,863,810,385.33	1,394,019,724.56	469,790,660.77			

Determination of recoverable amount based on the present value of expected future cash flows

Applicable Not applicable

16. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	619,780,121.33	586,611,718.04
Materials for project	6,860,400.59	7,226,885.83
Total	626,640,521.92	593,838,603.87

X 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 Chenming)	555,984,128.45	94,359,128.45	461,625,000.00	549,063,751.76	86,712,411.44	462,351,340.32
Technological transformation project	143,562,303.05	11,645,893.36	131,916,409.69	129,380,245.56	11,645,893.36	117,734,352.20
Environmental retrofit, and alkali boilers flue gas denitrification deep governance project (Huanggang Pulp & Paper)	19,712,686.12		19,712,686.12			
300,000 tonnes softwood pulp project (Shandong Chenming)	12,703,321.77	6,177,296.25	6,526,025.52	12,703,321.77	6,177,296.25	6,526,025.52
Others	18,586,706.04	18,586,706.04		23,648,105.73	23,648,105.73	
Total	750,549,145.43	130,769,024.10	619,780,121.33	714,795,424.82	128,183,706.78	586,611,718.04

X 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	Accumulated Closing balance	investment to budget (%)	Construction progress (%)	Accumulated capitalised interest	Capitalisation		Source of fund
										Including: Capitalised interest amount during the period	rate of the interest amount during the period	
Relocation of Wuhan 4800 papermaking machine project (Zhanjiang Chenming)	800,000,000.00	549,063,751.76	6,920,376.69			555,984,128.45	69.50	71.00				Self-owned funds and borrowings
300,000 tonnes softwood pulp project (Shandong Chenming)	1,488,980,000.00	12,703,321.77				12,703,321.77	0.85	0.70				Self-owned funds and borrowings
Total	2,288,980,000.00	561,767,073.53	6,920,376.69			568,687,450.22						

(3) Impairment provision for construction in progress for the period

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason for provision
300,000 tonnes softwood pulp project (Shandong Chenming)	6,177,296.25			6,177,296.25	
Closed deodorisation at wastewater treatment plant (Shandong Chenming)	5,061,399.69		5,061,399.69		
Relocation of Wuhan 4800 papermaking machine project (Zhanjiang Chenming)	86,712,411.44	7,646,717.01		94,359,128.45	
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	16,960,109.91			16,960,109.91	
Total	128,183,706.78	7,646,717.01	5,061,399.69	130,769,024.10	—

Explanation: The Company conducted impairment tests or assessments on important construction projects. Impairment was made based on the results of such tests or assessments.

X Financial Report

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

16. Construction in progress (Continued)

(4) Impairment provision for construction in progress

Applicable Not applicable

Determination of recoverable amount based on the present value of expected future cash flows

Applicable Not applicable

Unit: RMB

Item	Carrying amount	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
Relocation of Wuhan 4800 papermaking machine project	469,271,717.01	461,625,000.00	7,646,717.01	14.5	Unit price, sales volume, operating costs	Unit price, sales volume, operating costs	Feasibility report + market forecast analysis
Total	469,271,717.01	461,625,000.00	7,646,717.01				

(5) Materials for project

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Special materials	6,860,400.59		6,860,400.59	7,226,885.83		7,226,885.83
Total	6,860,400.59		6,860,400.59	7,226,885.83		7,226,885.83

X 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 tree	Total
I. Original carrying amount:		
1. Opening balance	18,704,143.60	18,704,143.60
2. Increase during the period		
(1) Cultivation	31,227.72	31,227.72
4. Closing balance	18,735,371.32	18,735,371.32
II. Accumulated depreciation		
1. Opening balance		
2. Increase during the period		
3. Decrease during the period		
4. Closing balance		
III. Impairment provision		
1. Opening balance	9,352,071.80	9,352,071.80
2. Increase during the period		
(1) Provision	7,509,762.39	7,509,762.39
3. Decrease during the period		
4. Closing balance	16,861,834.19	16,861,834.19
IV. Carrying amount		
1. Closing carrying amount	1,873,537.13	1,873,537.13
2. Opening carrying amount	9,352,071.80	9,352,071.80

(2) Impairment test on bearer biological assets under the cost method

Applicable Not applicable

Determination of recoverable amount as the net amount of fair value less disposal expenses

Applicable Not applicable

X Financial Report

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

17. Bearer biological assets (Continued)

(2) Impairment test on bearer biological assets under the cost method (Continued)

Unit: RMB

Item	Carrying amount	Recoverable amount	Impairment	Determination of fair value and disposal expenses	Key parameter	Basis of determination of key parameter
Tea tree	18,735,371.32	1,873,537.13	16,861,834.19	See explanation for details		
Total	18,735,371.32	1,873,537.13	16,861,834.19			

Explanation: According to the stocktaking, the Company estimated that tea tress corresponding to 90% of the area were withered or had poor growth due to management and maintenance, and therefore a 90% impairment was provided. Determination of recoverable amount based on the present value of expected future cash flows

Applicable Not applicable

(3) Bearer biological assets measured at fair value

Applicable Not applicable

X 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	192,872,810.81	110,497,066.62	303,369,877.43
2. Increase during the period	1,616,441.22		1,616,441.22
(1) Adjustment of lease liabilities	1,616,441.22		1,616,441.22
3. Decrease during the period	8,574,880.74	105,016,513.76	113,591,394.50
(1) Transfer or held for sale	8,409,743.14	105,000,000.00	113,409,743.14
(2) Other decreases	165,137.60	16,513.76	181,651.36
4. Closing balance	185,914,371.29	5,480,552.86	191,394,924.15
II. Accumulated depreciation			
1. Opening balance	34,120,660.16	3,224,904.40	37,345,564.56
2. Increase during the period	8,706,581.16	5,829,778.17	14,536,359.33
(1) Provision	8,706,581.16	5,829,778.17	14,536,359.33
3. Decrease during the period	4,285,017.66	7,500,000.00	11,785,017.66
(1) Transfer or held for sale	4,285,017.66	7,500,000.00	11,785,017.66
4. Closing balance	38,542,223.66	1,554,682.57	40,096,906.23
III. Impairment provision			
1. Opening balance			
2. Increase during the period			
3. Decrease during the period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	147,372,147.63	3,925,870.29	151,298,017.92
2. Opening carrying amount	158,752,150.65	107,272,162.22	266,024,312.87

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

Determination of recoverable amount measured at fair value after deducting disposal expenses

Applicable Not applicable

Determination of recoverable amount based on the present value of expected future cash flows

Applicable Not applicable

X 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	2,195,765,131.05	22,964,503.01	27,493,613.05	15,908,674.87	2,262,131,921.98
2. Increase during the period	2,186,455.91				2,186,455.91
(1) Acquisition	2,186,455.91				2,186,455.91
3. Decrease during the period	4,159,004.87	1,528,538.15			5,687,543.02
(1) Disposal	4,159,004.87	1,528,538.15			5,687,543.02
4. Closing balance	2,193,792,582.09	21,435,964.86	27,493,613.05	15,908,674.87	2,258,630,834.87
II. Accumulated amortisation					
1. Opening balance	569,617,649.10	22,664,165.23	1,673,649.21	15,908,674.87	609,864,138.41
2. Increase during the period	48,640,634.27	18,944.09	94,950.00		48,754,528.36
(1) Provision	48,640,634.27	18,944.09	94,950.00		48,754,528.36
3. Decrease during the period	2,723,219.10	1,247,144.46			3,970,363.56
(1) Disposal	2,723,219.10	1,247,144.46			3,970,363.56
4. Closing balance	615,535,064.27	21,435,964.86	1,768,599.21	15,908,674.87	654,648,303.21
III. Impairment provision					
1. Opening balance					
2. Increase during the period					
3. Decrease during the period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	1,578,257,517.82		25,725,013.84		1,603,982,531.66
2. Opening carrying amount	1,626,147,481.95	300,337.78	25,819,963.84		1,652,267,783.57

As at the end of the period, the intangible assets from internal R&D of the Company accounted for 0% of the balance of intangible assets.

Explanation: For details of restricted ownership, please refer to note VII. 24.

(2) Information and resources recognised as intangible assets

Applicable Not applicable

X Financial Report

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

19. Intangible assets (Continued)

(3) Right-of-use assets without proper title certificates

Unit: RMB

Item	Carrying amount	Reason for not yet obtaining property right certificates
Land (Shandong Chenming Paper Holdings Limited)	1,273,453.56	Under application
Land (Zhanjiang Chenming Pulp & Paper Co., Ltd.)	55,700,905.91	Under application
Total	56,974,359.47	

(4) Impairment test on intangible assets

Applicable Not applicable

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
Jiangxi Chenming Port Co., Ltd.	8,273,638.42			8,273,638.42
Total	22,587,799.02			22,587,799.02

(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
Jiangxi Chenming Port Co., Ltd.	8,273,638.42			8,273,638.42
Total	22,587,799.02			22,587,799.02

X Financial Report

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

20. Goodwill (Continued)

(3) Specific determination of recoverable amount

Determination of recoverable amount as the net amount of fair value less disposal expenses

Applicable Not applicable

Determination of recoverable amount based on the present value of expected future cash flows

Applicable Not applicable

(4) Fulfilment of performance undertaking and corresponding impairment of goodwill

Goodwill was formed when a performance undertaking existed and the reporting period or the previous period fell within the performance undertaking period.

Applicable Not applicable

21. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase during the period	Amortisation during the period	Other deductions	Closing balance
Bank financial advisory fees	249,308,500.01		52,485,999.96		196,822,500.05
Woodland expenses	8,126,767.91		1,726,097.77		6,400,670.14
Others	32,242,278.95	441,421.42	3,508,292.94		29,175,407.43
Total	289,677,546.87	441,421.42	57,720,390.67		232,398,577.62

X 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	285,110,497.72	49,745,802.22	722,577,808.85	148,433,553.46
Outstanding payables			257,788,652.79	56,051,325.73
Deferred income	124,286,727.16	19,065,837.91	134,649,677.05	20,197,451.55
Deductible loss	11,848,018,483.09	1,963,277,198.49	9,715,020,431.43	1,565,956,688.49
Total	12,257,415,707.97	2,032,088,838.62	10,830,036,570.12	1,790,639,019.23

(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	29,326,095.33	4,398,914.30	33,371,073.97	5,005,661.10
Unrealised gain or loss arising from intra-group transactions	5,072,493.44	1,268,123.36	14,360,332.90	3,590,083.23
Total	34,398,588.77	5,667,037.66	47,731,406.87	8,595,744.33

(3) Deferred income tax assets or liabilities presented as net amount after offsetting

Unit: RMB

Item	Offset of deferred income tax assets and liabilities at the end of the period	Closing balance of deferred income tax assets or liabilities after offsetting	Offset of deferred income tax assets and liabilities at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets		2,032,088,838.62		1,790,639,019.23
Deferred income tax liabilities		5,667,037.66		8,595,744.33

X Financial Report

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

22. Deferred income tax assets/deferred income tax liabilities (Continued)

(4) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	1,892,186,000.35	5,404,679,879.65
Deductible loss	2,419,096,409.51	2,074,025,508.84
Total	4,311,282,409.86	7,478,705,388.49

(5) Expiry of deductible loss of unrecognised deferred income tax assets falls in the years as follows

Unit: RMB

Year	Closing balance	Opening balance	Remark
2025	—	208,245,408.21	
2026	121,576,764.07	590,291,155.76	
2027	354,571,231.45	110,332,902.30	
2028	183,443,840.16	425,783,078.02	
2029	1,052,221,145.73	739,372,964.55	
2030	707,283,428.10	—	
Total	2,419,096,409.51	2,074,025,508.84	

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	139,310,773.13	8,466,700.00	130,844,073.13	125,012,037.98		125,012,037.98
Proposed refund for land	288,232,412.76		288,232,412.76	288,232,412.76		288,232,412.76
Others				2,612,250.68		2,612,250.68
Total	427,543,185.89	8,466,700.00	419,076,485.89	415,856,701.42		415,856,701.42

X 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	End of the period			Beginning of the period			Restriction
		Carrying amount	Type of restriction	Restriction	Book balance	Carrying amount	Type of restriction	
Fixed assets	39,673,397,581.16	21,032,970,345.50	Charged	As collateral for bank borrowings and long-term payables (Note VII. 15)	34,375,256,421.29	20,001,586,415.43	Charged	As collateral for bank borrowings and long-term payables (Note VII. 15)
Investment property	6,897,297,786.90	5,357,575,638.82	Charged	As collateral for bank borrowings (Note VII. 14)	6,742,657,317.44	5,433,525,500.09	Charged	As collateral for bank borrowings (Note VII. 14)
Intangible assets	1,842,713,402.08	1,308,852,997.82	Charged	As collateral for bank borrowings and long-term payables (Note VII. 19)	1,789,243,785.12	1,312,981,381.52	Charged	As collateral for bank borrowings and long-term payables (Note VII. 19)
Long-term equity investments	1,584,342,692.88	1,578,247,974.28	Frozen	Pledged and locked-up due to creditors' rights guarantee (Note VII. 12)	1,549,103,158.31	1,549,103,158.31	Frozen	Freeze for non-payment (Note VII. 12)
Inventories	764,268,342.37	741,627,115.10	Charged and court seizure	As collateral for contract performance. Seizure due to non-payment (Note VII. 8)	120,195,864.99	103,566,055.40	Court seizure	Seizure due to non-payment (Note VII. 8)
Monetary funds	63,728,850.28	63,728,850.28	Pledged and locked-up	As deposits for acceptance bills and letters of credit, security deposits for loans, deposit reserves or account locked-up, freezing by litigation, etc. (Note VII. 1)	5,728,747,806.12	5,728,747,806.12	Pledged and locked-up	As deposits for acceptance bills and letters of credit, security deposits for loans, deposit reserves or account locked-up, freezing by litigation, etc. (Note VII. 1)
Accounts receivable					207,017,962.56	206,147,426.74	Pledged	As pledge for borrowings (Note VII. 4)
Total	50,825,748,655.67	30,083,002,921.80			50,512,222,315.83	34,335,657,743.61		

Other explanations:

As at 31 December 2025, housing, building structure and equipment with the book value of RMB21,032,970,345.50 (31 December 2024: book value of RMB20,001,586,415.43), investment properties with the book value of RMB5,357,575,638.82 (31 December 2024: book value of RMB5,433,525,500.09) and intangible assets with the book value of RMB1,308,852,997.82 (31 December 2024: book value of RMB1,312,981,381.52) were pledged as collateral for long-term borrowings of RMB3,650,321,853.80 (31 December 2024: RMB3,669,467,809.18), short-term borrowings of RMB960,000,000.00 (31 December 2024: RMB1,375,200,404.98) and long-term payables of RMB3,373,734,381.04 (31 December 2024: RMB3,600,767,587.75).

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
Credit borrowings	11,979,509,006.38	8,292,279,333.33
Guaranteed borrowings	8,259,872,805.64	8,087,802,486.06
Mortgage borrowings	960,000,000.00	1,375,200,404.98
Discounted borrowings	28,450,000.00	8,179,010,348.64
Pledged borrowings		846,066,236.10
Total	21,227,831,812.02	26,780,358,809.11

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 Short-term borrowings included accrued interest of RMB115,238,055.82.
- ③ Mortgage borrowings of RMB960,000,000.00 were also guaranteed by related parties.

(2) Overdue outstanding short-term borrowings

At the end of the period, the overdue debts of the Company totalled RMB3,271,834,083.88, of which overdue short-term borrowings amounted to RMB1,246,810,183.88, and in accordance with Interpretation No. 17, the liabilities transferred to short-term borrowings totalled RMB2,025,023,900.00, including overdue bank acceptance bills of RMB855,023,900.00, and overdue long-term borrowings of RMB1,170,000,000.00.

Major overdue borrowings

Unit: RMB

Borrower	Closing balance	Borrowing rate	Overdue time	Overdue interest rate
Bank 1	940,000,000.00	4.90%	2024-12-20	5.78%
Bank 2	167,500,000.00	3.50%	2025-11-10	5.25%
Bank 3	172,700,000.00	3.80%	2025-11-13	3.80%
Bank 4	100,000,000.00	4.50%	2025-1-12	6.75%
Bank 5	100,000,000.00	5.00%	2025-9-24	7.50%
Total	1,480,200,000.00	—	—	—

X Financial Report

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

26. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Commercial acceptance bills	[•]	1,213,818,112.99
Bank acceptance bills	[•]	210,100,000.00
Total	[•]	1,423,918,112.99

Explanation: Total outstanding bills payable due as at the end of the period amounted to RMB3,806,025,623.87, which was classified and presented as accounts payable, short-term borrowings and other payables.

27. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	8,153,559,514.97	7,272,978,630.96
Payment for engineering	192,204,178.21	217,322,928.02
Payment for equipment	166,260,317.16	117,822,089.47
Others	96,703,042.58	100,843,758.02
Total	8,608,727,052.92	7,708,967,406.47

(2) Significant accounts payable with more than 1-year aging or overdue

Unit: RMB

Item	Closing balance	Reason for outstanding or not transfer
Supplier	537,536,126.69	Limited working capital
Total	537,536,126.69	

X Financial Report

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

27. Accounts payable (Continued)

(3) Disclosure by ageing

Unit: RMB

<u>Item</u>	<u>Closing balance</u>	<u>Reason for outstanding or not transfer</u>
Within 1 year (including 1 year)	4,594,547,596.78	As agreed in the contract and failure to pay in full due to a shortage of funds
1 to 2 years	3,715,889,916.30	As agreed in the contract and failure to pay in full due to a shortage of funds
2 to 3 years	75,845,709.26	As agreed in the contract and failure to pay in full due to a shortage of funds
Over 3 years	222,443,830.58	As agreed in the contract and failure to pay in full due to a shortage of funds
Total	8,608,727,052.92	

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.

(4) Are there any overdue payments to small – and medium-sized enterprises?

Yes No

Unit: RMB

Number of overdue contracts	1,040.00
Amount of overdue contracts	1,075,928,514.54
Outstanding overdue amount	1,066,903,382.95

Detailed explanation of overdue payments: Some payments were not paid on schedule due to shutdown for maintenance of some production bases of the Company in 2025.

X Financial Report

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

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	4,122,796,378.76	2,710,367,670.63
Dividend payable	428,732,780.80	63,042,283.31
Interest payable	220,493,880.88	123,000,000.00
Total	4,772,023,040.44	2,896,409,953.94

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on overdue borrowings	227,513,016.88	49,289,730.81
Interest on overdue bills	139,431,608.24	2,397,040.00
Interest on overdue appropriation of funds	38,266,578.75	8,842,575.24
Interest on overdue finance lease payments	23,521,576.93	2,512,937.26
Total	428,732,780.80	63,042,283.31

X Financial Report

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

28. Other payables (Continued)

(2) Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
Minority shareholder 1	42,000,000.00	42,000,000.00
Minority shareholder 2	30,000,000.00	
Minority shareholder 3	30,000,000.00	
Minority shareholder 4	28,323,937.26	
Minority shareholder 5	27,000,000.00	27,000,000.00
Minority shareholder 6	24,000,000.00	
Minority shareholder 7	21,000,000.00	
Minority shareholder 8	18,000,000.00	
Minority shareholder 9	113,295.75	
Minority shareholder 10	56,647.87	
Minority shareholder 11		54,000,000.00
Total	220,493,880.88	123,000,000.00

(3) Other payables

Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	3,366,576,146.66	2,194,650,156.21
Accrued expenses	476,305,081.06	282,776,392.24
Guarantee deposit, deposit and warranty	204,143,549.97	182,034,513.50
Others	75,771,601.07	50,906,608.68
Total	4,122,796,378.76	2,710,367,670.63

X 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	61,929,311.57	54,538,940.24
Total	61,929,311.57	54,538,940.24

30. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods in advance	296,299,701.36	274,829,824.35
Total	296,299,701.36	274,829,824.35

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	249,763,696.29	795,682,148.96	684,642,598.16	360,803,247.09
II. Retirement benefit plan-defined contribution scheme	1,623,963.71	187,116,191.45	179,948,901.60	8,791,253.56
III. Termination benefits		382,858.76	382,858.76	
Total	251,387,660.00	983,181,199.17	864,974,358.52	369,594,500.65

X 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	226,577,081.55	601,038,801.30	523,229,077.21	304,386,805.64
2. Staff welfare		24,238,881.03	24,238,881.03	
3. Social insurance premium	556,514.71	85,424,332.63	82,084,533.14	3,896,314.20
Of which: Medical insurance premium	509,385.25	76,195,213.46	73,759,231.62	2,945,367.09
Work-related injury insurance premium	10,519.09	7,722,059.16	7,065,943.57	666,634.68
Maternity insurance premium	36,610.37	1,507,060.01	1,259,357.95	284,312.43
4. Housing provident funds	11,133,496.47	72,119,502.10	51,219,664.26	32,033,334.31
5. Union funds and workers' education	10,352,340.61	12,683,915.90	3,866,848.74	19,169,407.77
6. Other short-term remuneration	1,144,262.95	176,716.00	3,593.78	1,317,385.17
Total	249,763,696.29	795,682,148.96	684,642,598.16	360,803,247.09

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance premiums	1,263,873.32	179,429,117.90	172,732,472.24	7,960,518.98
2. Unemployment insurance premiums	360,090.39	7,687,073.55	7,216,429.36	830,734.58
Total	1,623,963.71	187,116,191.45	179,948,901.60	8,791,253.56

X Financial Report

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

32. Tax payables

Unit: RMB

Property tax	Closing balance	Opening balance
Property tax	87,753,548.45	44,930,390.41
Value added tax	61,371,499.03	86,589,345.15
Land use tax	24,244,163.62	19,563,508.13
Land appreciation tax	7,876,101.58	2,024,028.20
Stamp duty	7,340,819.31	11,784,134.43
Resource tax	4,197,008.75	5,839,230.84
Environmental protection tax	3,671,483.63	3,282,700.03
Urban maintenance and construction tax	2,452,751.51	5,779,995.16
Educational surcharges and others	2,217,514.48	4,599,189.85
Individual income tax	1,392,474.96	2,280,921.30
Enterprise income tax	651,191.83	6,750,896.17
Total	203,168,557.15	193,424,339.67

33. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,708,085,598.10	1,207,756,283.94
Long-term payables due within one year	603,473,207.11	367,723,693.41
Lease liabilities due within one year	1,613,098.62	2,456,986.79
Total	2,313,171,903.83	1,577,936,964.14

34. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Overdue finance leasing borrowings	1,471,511,608.24	2,680,562,600.58
Overdue factoring borrowings	68,000,000.00	
Total	1,539,511,608.24	2,680,562,600.58

X Financial Report

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

35. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Mortgage borrowings	3,650,321,853.80	3,669,467,809.18
Credit borrowings	1,921,655,004.17	1,221,043,391.30
Guaranteed borrowings	1,712,619,479.85	1,080,907,277.70
Subtotal	7,284,596,337.82	5,971,418,478.18
Less: Long-term borrowings due within one year	1,708,085,598.10	1,207,756,283.94
Total	5,576,510,739.72	4,763,662,194.24

Types of long-term borrowings explanation:

- 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 In accordance with Interpretation No. 17, the Company reclassified long-term payables that were past due and non-current liabilities that were previously reported as due within one year. The loan agreement stipulates that in the event of a loan overdue, the creditor shall require the borrower to immediately repay the full amount of the loan. Since the above debts had triggered the default clause in the contract and no extension agreement had been reached with the creditors on the balance sheet date, based on the characteristics of liquidity risk and the immediacy of repayment obligations, the Company adjusted the full amount of the book balance to the "short-term borrowings" account.
- ③ Among mortgage borrowings, borrowings of RMB3,329,331,101.20 have been guaranteed by related parties.
- ④ Long-term borrowings included accrued interest of RMB25,696,013.93, of which the accrued interest of long-term borrowings due within one year was RMB15,922,892.68.

(2) Analysis of long-term borrowings

Unit: RMB

The carrying amounts of the above borrowings are due within the following periods:	Closing balance	Opening balance
Within one year	1,708,085,598.10	1,207,756,283.94
More than one year but not more than two years from the balance sheet date	401,068,331.22	1,658,505,512.29
More than two years but not more than five years from the balance sheet date	3,615,262,317.52	1,094,831,874.75
More than five years from the balance sheet date	1,560,180,090.98	2,010,324,807.20
Subtotal	7,284,596,337.82	5,971,418,478.18
Less: Amounts due within one year as shown under current liabilities	1,708,085,598.10	1,207,756,283.94
Total	5,576,510,739.72	4,763,662,194.24

X 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	47,313,243.06	52,866,869.42
Less: Unrecognised financing expenses	11,349,895.34	13,317,409.57
Subtotal	35,963,347.72	39,549,459.85
Less: Lease liabilities due within one year	1,613,098.62	2,456,986.79
Total	34,350,249.10	37,092,473.06

37. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	1,685,368,809.50	774,965,008.29
Total	1,685,368,809.50	774,965,008.29

Other explanations: In accordance with Interpretation No. 17, the Company reclassified long-term payables that were past due and non-current liabilities that were previously reported as due within one year. The loan agreement stipulates that in the event of a loan overdue, the creditor shall require the borrower to immediately repay the full amount of the loan. Since the above debts had triggered the default clause in the contract and no extension agreement had been reached with the creditors on the balance sheet date, based on the characteristics of liquidity risk and the immediacy of repayment obligations, the Company adjusted the full amount of the book balance to the "other current liabilities" account.

X Financial Report

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

37. Long-term payables (Continued)

(1) Long-term payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Financial leasing borrowings	3,373,734,381.04	3,600,767,587.75
China Development Bank Special Fund	275,000,000.00	275,000,000.00
Contributions by other partners	140,894,158.22	137,894,158.22
Retention for the financial leasing operations		6,000,000.00
Subtotal	3,789,628,539.26	4,019,661,745.97
Less: Long-term payables due within one year	603,473,207.11	367,723,693.41
Less: Other current liabilities	1,500,786,522.65	2,876,973,044.27
Total	1,685,368,809.50	774,965,008.29

Other explanations:

Contributions by other partners refer to the contributions made by other partners to Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) and Weifang Chendu Equity Investment Partnership (Limited Partnership), and such contributions are reclassified as financial liabilities on a consolidation basis.

38. Provisions

Unit: RMB

Item	Closing balance	Opening balance	Reason
Late fees relating to taxes	22,299,945.73		Estimated late fees relating to taxes
Pending litigations	5,935,000.00	5,935,000.00	Estimated compensation for losses
Total	28,234,945.73	5,935,000.00	

Other explanations:

The Company was involved in a number of legal proceedings, and a total of RMB5,935,000.00 was provided as provisions based on the potential compensation for losses

X Financial Report

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

39. Deferred income

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	1,240,939,485.52	【●】	156,356,670.76	1,084,582,814.76	Financial provision
Total	1,240,939,485.52	【●】	156,356,670.76	1,084,582,814.76	—

Items in respect of government grants:

Unit: RMB

Liability item	Opening balance	New grants during the period	Included in non-operating income for the period	Included in other income for the period	Written down against cost expenses for the period	Other changes	Closing balance	Asset-related/income-related
Funding for environmental protection	478,415,952.52			50,928,082.72			427,487,869.80	Asset-related
Huanggang forestry-pulp-paper project	420,942,087.45			25,026,217.80		41,377,787.52	354,538,082.13	Asset-related
Infrastructure and environmental protection engineering	185,285,787.80			11,517,589.48		12,227,345.28	161,540,853.04	Asset-related
Financial subsidies for technological transformation project	89,417,910.72			9,333,104.96			80,084,805.76	Asset-related
Zhanjiang forestry-pulp-paper project	38,522,698.43			4,094,632.92			34,428,065.51	Asset-related
Project fund for National Key Technology Research and Development Program	629,025.00			164,700.00			464,325.00	Asset-related
Others	27,726,023.60			1,687,210.08			26,038,813.52	Asset-related
Total	1,240,939,485.52			102,751,537.96		53,605,132.80	1,084,582,814.76	

40. Share capital

Unit: RMB

	Opening balance	New issue	Increase/decrease during the year (+/-)			Subtotal	Closing balance
			Bonus issue	Shares converted from reserves	Others		
Total number of shares	2,934,556,200.00					2,934,556,200.00	

X 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	4,478,658,035.54	35,625,000.00	2,024,392.96	4,512,258,642.58
Other capital reserves	729,020,587.21			729,020,587.21
Total	5,207,678,622.75	35,625,000.00	2,024,392.96	5,241,279,229.79

Other explanations, including changes (increase or decrease) during the period and reasons for such changes: Shouguang Chenming Art Paper Co., Ltd., a subsidiary of the Company, distributed dividends to the Company during the period, resulting in an increase in capital reserves of RMB35,625,000.00 under equity transaction; Chenming (HK) Limited, a subsidiary of the Company, acquired 25% minority interests in Shouguang Chenming Art Paper Co., Ltd., resulting in a decrease in capital reserves of RMB2,024,392.96.

42. Other comprehensive income

Other comprehensive income attributable to the Company in the balance sheet is as follows:

Unit: RMB

Item	Opening balance	Amount for the period		Closing balance
		Attributable to parent company after tax	Less: Transferred from other comprehensive income in prior periods to retained profit during the period	
I. Other comprehensive income that cannot be reclassified to profit or loss				
II. Other comprehensive income that will be reclassified to profit and loss	-913,708,670.15	-1,679,749.77		-915,388,419.92
1. Other comprehensive income that may be reclassified to profit and loss under the equity method	-4,769,636.88	-7,962,815.66		-12,732,452.54
2. Exchange differences arising from translation of financial statements denominated in foreign currencies	-908,939,033.27	6,283,065.89		-902,655,967.38
Total other comprehensive income	-913,708,670.15	-1,679,749.77		-915,388,419.92

X Financial Report

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

42. Other comprehensive income (Continued)

Other comprehensive income attributable to the parent company in the income statement:

Unit: RMB

Item	Incurred before income tax for the period	Amount during the period		Less: Income tax expenses	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				
I. Other comprehensive income that cannot be reclassified to profit or loss						
II. Other comprehensive income that will be reclassified to profit and loss	-1,679,749.77					-1,679,749.77
1. Other comprehensive income that may be reclassified to profit and loss under the equity method	-7,962,815.66					-7,962,815.66
2. Exchange differences arising from translation of financial statements denominated in foreign currencies	6,283,065.89					6,283,065.89
Total other comprehensive income	-1,679,749.77					-1,679,749.77

43. Special reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Production safety expenses	26,800,491.53	14,684,739.69	2,941,960.86	38,543,270.36
Total	26,800,491.53	14,684,739.69	2,941,960.86	38,543,270.36

44. Surplus reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserves	1,212,009,109.97			1,212,009,109.97
Total	1,212,009,109.97			1,212,009,109.97

X Financial Report

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

45. General risk provisions

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
General risk provisions	80,950,584.11		12,901,833.01	68,048,751.10
Total	80,950,584.11		12,901,833.01	68,048,751.10

Explanation: The decrease in general risk provisions during the period was due to the disposal of the subsidiary Shandong Chenming Commercial Factoring Co., Ltd. The closing balance of general risk provisions was accrued by the Company's subsidiary Shandong Chenming Group Finance Co., Ltd based on 1% of the balance of the receivables.

46. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior period before adjustment	607,818,020.70	8,020,182,801.55
Adjustment to opening balance of retained earnings (increase +, decrease -)		
Opening balance of retained profit after adjustment	607,818,020.70	8,020,182,801.55
Add: Net profit for the period attributable to shareholders of the parent company	-8,295,932,402.88	-7,410,784,491.65
Less: Transfer of general risk reserves	-12,901,833.01	1,580,289.20
Retained profit as at the end of the period	-7,675,212,549.17	607,818,020.70

X Financial Report

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

47. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	6,117,796,647.11	8,551,284,791.74	22,602,034,544.86	22,085,665,323.51
Other activities	68,753,596.86	51,073,295.67	127,440,307.90	59,163,344.92
Total	6,186,550,243.97	8,602,358,087.41	22,729,474,852.76	22,144,828,668.43

The lower of the audited total profit, net profit, net profit after deducting extraordinary gains or losses of the Company during the reporting period is a negative number

Yes No

Unit: RMB

Item	Current year	Specific deductions	Prior year	Specific deductions
Revenue	6,186,550,243.97		22,729,474,852.76	
Total deductions from revenue	68,753,596.86	Revenue from sales of materials of RMB29,363,912.91 and other revenue of RMB39,389,683.95.	159,980,820.39	Revenue from sales of materials of RMB105,595,945.36 and other revenue of RMB54,384,875.03.
Proportion of total deductions from revenue to revenue	1.11%		0.70%	
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.	68,753,596.86	Revenue from sales of materials of RMB29,363,912.91 and other revenue of RMB39,389,683.95.	159,980,820.39	Revenue from sales of materials of RMB105,595,945.36 and other revenue of RMB54,384,875.03.
Subtotal of revenue from operations not related to principal operations	68,753,596.86	Revenue from sales of materials of RMB29,363,912.91 and other revenue of RMB39,389,683.95.	159,980,820.39	Revenue from sales of materials of RMB105,595,945.36 and other revenue of RMB54,384,875.03.
II. Income without commercial substance				
III. Other income not related to the principal operations or without commercial substance				
Revenue after deductions	6,117,796,647.11	Revenue from sales of materials of RMB29,363,912.91 and other revenue of RMB39,389,683.95.	22,569,494,032.37	Revenue from sales of materials of RMB105,595,945.36 and other revenue of RMB54,384,875.03.

X Financial Report

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

47. 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	5,987,245,980.96	8,286,577,826.62	6,816,454.86	39,303.45	148,204,363.73	208,184,229.49	44,283,444.42	107,556,727.85	6,186,550,243.97	8,602,358,087.41
Including:										
Machine-made paper	4,209,486,448.14	6,476,422,202.79							4,209,486,448.14	6,476,422,202.79
Chemical pulp	1,539,769,602.57	1,529,284,223.52							1,539,769,602.57	1,529,284,223.52
Electricity and steam	173,515,289.61	229,531,430.07							173,515,289.61	229,531,430.07
Construction materials							2,695,946.74	13,444,492.96	2,695,946.74	13,444,492.96
Property and rentals					146,618,394.97	208,181,527.93			146,618,394.97	208,181,527.93
Paper chemicals	104,714.23	104,963.91							104,714.23	104,963.91
Others	64,369,926.41	51,235,006.33	6,816,454.86	39,303.45	1,585,968.76	2,701.56	41,587,497.68	94,112,234.89	114,359,847.71	145,389,246.23
By geographical area	5,987,245,980.96	8,286,577,826.62	6,816,454.86	39,303.45	148,204,363.73	208,184,229.49	44,283,444.42	107,556,727.85	6,186,550,243.97	8,602,358,087.41
Including:										
Mainland China	5,595,387,435.30	7,829,760,017.12	6,816,454.86	39,303.45	148,204,363.73	208,184,229.49	44,283,444.42	107,556,727.85	5,794,691,698.31	8,145,540,277.91
Other countries and regions	391,858,545.66	456,817,809.50							391,858,545.66	456,817,809.50
By the timing of delivery	5,987,245,980.96	8,286,577,826.62	6,816,454.86	39,303.45	148,204,363.73	208,184,229.49	44,283,444.42	107,556,727.85	6,186,550,243.97	8,602,358,087.41
Including:										
Goods (at a point in time)	5,810,811,154.63	8,055,626,090.88			15,954,761.24	5,464,217.66	44,118,515.36	101,945,953.13	5,870,884,431.23	8,163,036,261.67
Services (within a certain period)	176,434,826.33	230,951,735.74	6,816,454.86	39,303.45	132,249,602.49	202,720,011.83	164,929.06	5,610,774.72	315,665,812.74	439,321,825.74
By sales channel	5,987,245,980.96	8,286,577,826.62	6,816,454.86	39,303.45	148,204,363.73	208,184,229.49	44,283,444.42	107,556,727.85	6,186,550,243.97	8,602,358,087.41
Including:										
Distribution	4,250,770,191.32	5,919,099,434.30							4,250,770,191.32	5,919,099,434.30
Direct sales	1,736,475,789.64	2,367,478,392.32	6,816,454.86	39,303.45	148,204,363.73	208,184,229.49	44,283,444.42	107,556,727.85	1,935,780,062.65	2,683,258,653.11
Total	5,987,245,980.96	8,286,577,826.62	6,816,454.86	39,303.45	148,204,363.73	208,184,229.49	44,283,444.42	107,556,727.85	6,186,550,243.97	8,602,358,087.41

Explanation: Disclosure of revenue from contracts with customers was based on the breakdown information by major category, as well as the relationship between the breakdown and the revenue of each reportable segment.

X Financial Report

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

47. Revenue and operating costs (Continued)

Breakdown of revenue from principal activities

① By industry

Unit: RMB

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Machine-made paper	4,209,486,448.14	6,476,422,202.79	20,179,848,508.57	19,870,513,391.35
Chemical pulp	1,539,769,602.57	1,529,284,223.52	1,519,262,130.75	1,370,195,011.59
Electricity and steam	173,515,289.61	229,531,430.07	216,763,239.54	259,600,886.37
Hotel and property rentals	146,618,394.97	208,181,527.93	193,494,961.95	213,050,117.25
Construction materials	2,695,946.74	13,444,492.96	127,783,427.12	135,982,330.21
Paper chemicals	104,714.23	104,963.91	88,627,247.45	76,919,302.04
Others	45,606,250.85	94,315,950.56	276,255,029.48	159,404,284.70
Total	6,117,796,647.11	8,551,284,791.74	22,602,034,544.86	22,085,665,323.51

② Machine-made paper, by main product type

Unit: RMB

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Coated paper	1,377,624,572.84	1,352,622,852.37	3,758,928,113.95	3,263,366,438.24
Duplex press paper	943,510,985.22	1,029,636,395.75	6,117,888,314.70	5,767,014,322.77
Electrostatic paper	557,850,204.85	662,418,845.01	3,547,162,310.53	3,146,628,608.35
White paper board	514,738,628.42	520,133,310.95	4,553,056,974.25	5,140,713,897.07
Anti-sticking raw paper	468,615,431.58	446,373,350.81	909,489,122.98	772,483,237.25
Thermal paper	111,375,090.91	123,577,428.62	432,929,902.58	422,071,788.54
Others	235,771,534.32	283,540,453.44	860,393,769.58	814,075,382.06
Shutdown loss		2,058,119,565.84		544,159,717.07
Total	4,209,486,448.14	6,476,422,202.79	20,179,848,508.57	19,870,513,391.35

X Financial Report

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

47. Revenue and operating costs (Continued)

③ Machine-made paper, by geographical segment

Unit: RMB

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Mainland China	3,817,627,902.48	6,019,604,393.29	15,532,435,260.58	15,238,409,893.90
Other countries and regions	391,858,545.66	456,817,809.50	4,647,413,247.99	4,632,103,497.45
Total	4,209,486,448.14	6,476,422,202.79	20,179,848,508.57	19,870,513,391.35

④ Revenue from top 5 customers

Unit: RMB

Period	Total revenue from top 5 customers	Percentage of the total revenue in the same period (%)
2025	1,731,623,559.35	27.98%
2024	6,640,449,070.92	29.22%

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

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 RMB1,293,935,904.26, in which RMB1,293,935,904.26 was expected to be recognised in 2026.

X Financial Report

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

48. Taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Property tax	82,976,959.04	85,290,265.89
Land use tax	18,888,157.88	41,247,568.81
Stamp duty	11,730,025.57	46,117,978.93
Resource tax	7,707,877.36	12,908,476.74
Urban maintenance and construction tax	5,783,629.03	13,956,911.51
Environmental tax	3,709,521.34	12,876,424.84
Educational surcharges	2,377,544.73	6,220,575.30
Local education surcharges	1,585,500.00	4,147,050.24
Water conservation funds	94,612.39	901,231.53
Others	129,247.05	2,294,796.67
Total	134,983,074.39	225,961,280.46

Explanation: For details of the calculation basis of various taxes and surcharges, please refer to Note VI, Taxes.

49. General and administrative expenses

(1) Breakdown of administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	222,286,595.52	246,167,228.89
Depreciation expenses	123,391,294.46	128,779,641.74
Amortisation of intangible assets and long-term expenses	44,323,326.48	51,506,321.75
Welfare expenses	25,657,060.47	45,660,222.08
Intermediary service expenses	13,834,703.84	22,648,125.77
Litigation expenses	12,010,355.43	23,259,822.70
Legal costs	9,363,344.00	47,505,377.69
Business hospitality expenses	9,360,218.93	90,745,828.51
Insurance premium	9,294,595.87	14,953,971.53
Repair cost and consumption of materials	8,212,165.59	15,827,440.75
Travel expenses	7,770,528.17	11,382,389.61
Office expenses	1,890,074.87	3,249,506.16
Termination benefits expenses	385,394.68	2,591,967.39
Others	27,287,688.86	46,891,129.43
Total	515,067,347.17	751,168,974.00

X Financial Report

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

49. General and administrative expenses (Continued)

(2) Breakdown of auditor expenses under administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Audit expenses for financial statements	2,641,509.43	2,641,509.43
Audit expenses for internal control	1,037,735.85	1,037,735.85
Other service expenses	344,339.62	[•]
Total	4,023,584.91	3,679,245.28

50. Sales and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	65,051,299.02	132,918,538.10
Travel expenses	8,834,560.40	28,721,204.65
Business hospitality expenses	7,684,767.30	47,459,555.70
Rental expenses	6,836,817.00	6,921,416.15
Depreciation expenses	4,598,036.59	4,742,847.33
Selling commissions	1,365,896.54	4,618,204.21
Office expenses	329,795.94	2,117,947.35
Others	9,620,196.69	13,671,395.63
Total	104,321,369.48	241,171,109.12

51. Research and development expense

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	37,658,159.83	123,022,797.35
Depreciation expenses	33,641,802.58	64,184,587.23
Insurance premium	8,025,011.32	25,909,846.14
Consumption of materials	6,591,941.90	725,049,519.67
Utilities	2,699,288.88	130,904,560.17
Welfare expenses	1,843,032.00	4,556,030.19
Housing provident funds	1,629,610.20	4,151,966.75
Union funds	523,578.63	1,271,458.04
Other expenses	648,586.15	1,280,988.88
Total	93,261,011.49	1,080,331,754.42

X Financial Report

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

52. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	1,603,023,405.76	1,869,661,335.22
Less: Capitalised interest amount		
Interest income	88,939,981.38	182,479,117.53
Foreign exchange gains and losses	-6,516,528.86	-50,235,759.26
Less: Capitalisation of foreign exchange gains and losses		
Bank charges and others	128,427,969.15	331,036,008.91
Total	1,635,994,864.67	1,967,982,467.34

53. Other income

Unit: RMB

Source of other income	Amount for the period	Amount for the prior period
Government grants – amortised deferred income included in profit or loss	102,751,537.96	104,694,629.18
Government grants – directly included in profit or loss	16,403,688.04	15,808,074.49
Additional deduction of VAT	15,295,723.71	174,580,943.06
Refund of handling fees for withholding and payment of individual income tax	215,397.47	513,801.11
Gain on debt restructuring	-36,820,293.24	205,966.46
Total	97,846,053.94	295,803,414.30

54. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Financial assets held for trading	2,419,619.63	-9,757,917.81
Other non-current financial assets	-16,120,945.31	-29,047,290.52
Gain on change in fair value of consumable biological assets measured at fair value	-135,025,589.35	-153,411,759.17
Total	-148,726,915.03	-192,216,967.50

Note 1: The breakdown of gain on change in fair value of the financial assets held for trading is as follows:

Item	Amount for the period	Amount for the prior period
Investments in non-trading equity instruments-Equity investments	2,419,619.63	-9,757,917.81

X Financial Report

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

55. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Dividend on financial assets held for trading and other non-current financial assets	1,384,673.77	23,957,613.40
Investment gain on disposal or deregistration of subsidiaries	-13,860,273.93	-2,985,381.21
Investment gain on derecognition of financial assets	-594,689,754.74	-101,812,317.04
Income from long-term equity investments accounted for using the equity method	-941,658,122.36	-689,387,136.28
Gain on debt restructuring		3,313,951.9
Total	-1,548,823,477.26	-766,913,269.23

56. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of accounts receivable	-300,491,506.17	-738,698,849.57
Bad debt loss of other receivables	-463,774,928.36	-991,241,165.49
Bad debt loss of financial lease payments	-1,331,187,543.87	-1,468,149,193.40
Total	-2,095,453,978.40	-3,198,089,208.46

57. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
Impairment losses on goodwill		-8,273,638.42
Impairment losses on investment properties	-6,690,930.16	-102,227,990.09
Impairment losses on bearer biological assets	-7,509,762.39	-9,352,071.80
Impairment losses on construction in progress	-7,646,717.01	-106,382,270.42
Impairment losses on other non-current assets	-8,466,700.00	
Impairment losses on long-term equity investments	-27,724,285.34	-17,088,890.78
Inventory impairment losses	-28,350,747.41	-20,403,446.82
Impairment losses on fixed assets	-469,790,660.77	-69,027,097.92
Total	-556,179,803.08	-332,755,406.25

X Financial Report

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

58. Gain on disposal of assets

Unit: RMB

Source of gain on disposal of assets	Amount for the period	Amount for the prior period
Gain on disposal of fixed assets (“-” denotes loss)	1,845,812.40	27,626,956.14
Gain on disposal of intangible assets (“-” denotes loss)	3,555,505.39	
Sublease (“-” denotes loss)	4,204,825.88	27,779,307.50
Total	9,606,143.67	55,406,263.64

59. 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
Exempted debts	199,933.10	766,729.62	199,933.10
Fines, compensation income	332,273.86	3,064,805.35	332,273.86
Gain on damage and retirement of non-current assets	434,344.88	836,632.57	434,344.88
Others	452,328.59	479,470.17	452,328.59
Total	1,418,880.43	5,147,637.71	1,418,880.43

X Financial Report

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

60. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Included in non-recurring profit or loss in the period
Utilisation, cancellation and trading of carbon emission quota	1,806,975.37	10,143,868.80	1,806,975.37
Loss on damage and retirement of non-current assets	9,292,904.04	18,017,286.66	9,292,904.04
Litigation compensation	19,071,077.55	8,683,133.63	19,071,077.55
Fines and late payment charges	30,084,231.99	369,107.90	30,084,231.99
Donation		300,000.00	
Others	210,423.25	90,780.95	210,423.25
Total	60,465,612.20	37,604,177.94	60,465,612.20

61. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Current income tax calculated according to tax law and related regulations	7,225,398.42	29,520,796.36
Deferred income tax expenses	-244,596,647.54	-89,692,493.81
Total	-237,371,249.12	-60,171,697.45

X Financial Report

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

61. Income tax expenses (Continued)

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

Unit: RMB

Item	Amount for the period
Total profit	-9,200,214,218.57
Income tax expenses calculated at statutory (or applicable) tax rates	-1,380,032,132.79
Effect of different tax rates applicable to certain subsidiaries	-880,331,421.03
Adjustments to income tax for prior periods	32,670,497.36
Profit and loss of joint ventures and associates accounted for using the equity method	217,943,975.96
Income not subject to tax (listed with “-”)	
Non-deductible costs, expenses and losses	10,664,903.27
The impact of tax rate changes on the opening deferred income tax balance	-116,209,590.21
Tax effect of utilisation of unrecognised deductible losses and deductible temporary differences in the previous year (listed with “-”)	-6,696,233.07
Tax effect of utilisation of unrecognised deductible losses and deductible temporary differences	1,892,193,552.89
Tax effect of R&D fee deduction (listed with “-”)	-7,213,150.92
Tax incentives such as 10% deduction for income from particle board	-361,650.58
Income tax expense	-237,371,249.12

62. 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	343,872,799.18	260,647,420.02
Finance expenses – Interest income	38,463,083.47	145,479,117.53
Government grants	16,619,085.51	24,021,791.25
Default penalty and fine	332,273.86	882,182.24
Open credit and other income	30,758,072.72	93,824,314.21
Total	430,045,314.74	524,854,825.25

X Financial Report

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

62. 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	151,156,136.86	658,951,178.78
Cargo handling charges	21,300,424.52	22,750,943.01
Intermediary service expenses	21,148,844.44	57,572,669.84
Business hospitality expenses	16,949,640.52	120,249,429.77
Travel expenses	16,545,678.22	39,774,276.92
Waste disposal expenses	14,391,261.36	19,349,998.12
Insurance premium	9,735,809.70	9,735,854.15
Leasing expenses	8,380,837.98	13,784,498.82
Repair expenses	7,438,068.15	11,283,362.12
Financial institutions charge	5,013,385.08	251,788,057.09
Office expenses	2,215,626.32	10,013,183.60
Net investment in factoring business		127,400,000.00
Others	74,714,356.00	82,890,384.62
Total	348,990,069.15	1,425,543,836.84

(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
Net cash received from disposal of subsidiaries	330,186,207.35	503,938,946.58
Total	330,186,207.35	503,938,946.58

X Financial Report

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

62. 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
Net cash paid for acquisition of subsidiaries	508,955,916.13	
Total	508,955,916.13	

(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
Net recovery of guarantee deposit	5,665,018,955.84	5,592,493,318.93
Equipment leaseback	25,400,000.00	1,246,000,000.00
Total	5,690,418,955.84	6,838,493,318.93

X Financial Report

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

62. 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	185,272,956.66	2,134,347,896.07
Acquisition of non-controlling interests	35,748,432.27	300,000,000.00
Current accounts	3,395,000.00	68,200,000.00
China Development Bank equity		68,750,000.00
Share repurchase under the share incentive scheme		67,391,949.19
Security deposit for financial leasing		22,550,000.00
Lease payable		1,465,902.88
Total	224,416,388.93	2,662,705,748.14

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	26,780,358,809.11	15,735,746,660.13	1,420,444,943.18	22,342,418,600.40	366,300,000.00	21,227,831,812.02
Long-term borrowings	5,971,418,478.18	2,156,540,905.58	315,026,181.55	922,392,321.92	235,996,905.57	7,284,596,337.82
Long-term payables	4,019,661,745.97	25,400,000.00		185,272,956.66	70,160,250.05	3,789,628,539.26
Other payables (financing)	1,071,906,381.38	1,251,178,590.88		812,601,179.97	34,082,388.31	1,476,401,403.98
Lease liabilities	39,549,459.85		1,967,514.23		5,553,626.36	35,963,347.72
Total	37,882,894,874.49	19,168,866,156.59	1,737,438,638.96	24,262,685,058.95	712,093,170.29	33,814,421,440.80

X Financial Report

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

63. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	-8,962,842,969.45	-7,793,019,417.29
Add: Provision for asset impairment	2,651,633,781.48	3,530,844,614.71
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of bearer biological assets	2,266,800,642.52	2,309,092,359.37
Depreciation of right-of-use assets	14,536,359.33	9,158,391.16
Amortisation of intangible assets	48,754,528.36	53,604,298.74
Amortisation of long-term prepaid expenses	57,720,390.67	17,291,989.71
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-9,606,143.67	-55,406,263.64
Loss on retirement of fixed assets (“-” denotes gain)	8,858,559.16	17,180,654.09
Loss on changes in fair value (“-” denotes gain)	148,726,915.03	192,216,967.50
Finance expenses (“-” denotes gain)	1,603,023,405.76	1,869,661,335.22
Investment loss (“-” denotes gain)	1,548,823,477.26	766,913,269.23
Decrease in deferred income tax assets (“-” denotes increase)	-241,449,819.39	-100,781,137.74
Increase in deferred income tax liabilities (“-” denotes decrease)	-2,928,706.67	-894,414.72
Decrease in inventories (“-” denotes increase)	-682,563,995.34	1,876,512,079.56
Decrease in operating receivables (“-” denotes increase)	1,969,584,950.08	795,688,330.88
Increase in operating payables (“-” denotes decrease)	-175,862,967.42	-864,871,392.18
Others		
Net cash flows from operating activities	243,208,407.71	2,623,191,664.60
2. Major investing and financing activities not involving cash settlements:		
Capital converted from debts		
Convertible corporate bonds due within one year		
Fixed assets under finance leases		
Addition of right-of-use assets		103,125,000.00
3. Net change in cash and cash equivalents:		
Closing balance of cash	137,296,882.34	151,943,246.31
Less: Opening balance of cash	151,943,246.31	764,233,742.61
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-14,646,363.97	-612,290,496.30

X Financial Report

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

63. Supplementary information on cash flow statement (Continued)

(2) Net cash paid for acquisition of subsidiaries in current period

Unit: RMB

	Amount
Cash or cash equivalents paid in the current period for merger during the period	512,000,000.00
Of which: Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)	512,000,000.00
Less: Cash and cash equivalents held by subsidiaries at the date of acquisition	3,044,083.87
Of which: Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)	3,044,083.87
Net cash paid for acquisition of subsidiaries	508,955,916.13

(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	330,650,000.00
Of which: Shandong Shengming Corporate Management Co., Ltd. Shouguang Wei Yuan Logistics Company Limited	330,000,000.00 650,000.00
Less: Cash and cash equivalents held by the subsidiary on the date of loss of control	463,792.65
Of which: Shandong Shengming Corporate Management Co., Ltd. Shouguang Wei Yuan Logistics Company Limited	463,792.65
Net cash received from disposal of subsidiaries	330,186,207.35

(4) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	137,296,882.34	151,943,246.31
Of which: Treasury cash	2,409,711.16	1,363,319.76
Bank deposit that can be used for payment at any time	134,887,171.18	150,579,926.55
II. Cash equivalent		
Of which: Bond investment with maturity within 3 months		
III. Balance of cash and cash equivalents as at the end of the period	137,296,882.34	151,943,246.31
Of which: Restricted cash and cash equivalents used by the Company or subsidiaries within the Group		

X Financial Report

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

63. 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	63,728,850.28	5,728,747,806.12	See Note VII.1 for details
Interest accrued on deposits	9,372,989.33	29,188,759.75	See Note VII.1 for details
Total	73,101,839.61	5,757,936,565.87	

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

Nil

65. Foreign currency items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			
Including: USD	12,666,054.60	7.0288	89,027,164.57
EUR	726,592.14	8.2355	5,983,849.57
HKD	71,034.36	0.90322	64,159.65
JPY	1,480.68	0.044797	66.33
Accounts receivable			
Of which: USD	3,787,783.90	7.0288	26,623,575.48
EUR	16,054.05	8.2355	132,213.13
JPY	181,514,831.57	0.044797	8,131,319.91
Accounts payable			
Of which: USD	63,994,475.73	7.0288	449,804,371.01
EUR	636,342.38	8.2355	5,240,597.67
JPY	232,448.16	0.044797	10,412.98
Other receivables			
Of which: USD	1,034,958.25	7.0288	7,274,514.55
EUR	186,334.37	8.2355	1,534,556.70
Other payables			
Of which: EUR	8,699.49	8.2355	71,644.65
JPY	10,885.77	0.044797	487.65
Long-term borrowings			
Of which: EUR	3,144,484.08	8.2355	25,896,398.67

X Financial Report

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

65. Foreign currency items

- (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	Functional currency
1	Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
2	Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	KRW
3	Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
4	Chenming (Overseas) Limited	Hong Kong, China	Hong Kong, China	USD
5	Chenming (Singapore) Limited	Singapore	Singapore	USD
6	Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD

66. Leases

- (1) The Company as a lessee

Unit: RMB

Item	Amount during the period
Short-term lease expenses	6,165,815.26

- (2) The Company as a lessor

Operating lease as a lessor

Applicable Not applicable

Lease income

Unit: RMB

Item	Amount during the period
Lease income	123,162,854.85

X Financial Report

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

66. Leases (Continued)

(2) The Company as a lessor (Continued)

The Company 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	140,742,027.37	152,207,821.18
The second year	148,401,301.62	159,924,290.10
The third year	151,864,581.72	157,974,084.34
The fourth year	148,513,224.23	160,776,701.99
The fifth year	154,290,681.50	158,478,080.32
Five years later	160,281,567.85	155,500,794.16
Total	904,093,384.29	944,861,772.09

VIII. R&D Expenses

Unit: RMB

Item	Amount during the period	Amount during the prior period
Wages and surcharges	37,658,159.83	123,022,797.35
Depreciation expenses	33,641,802.58	64,184,587.23
Insurance premium	8,025,011.32	25,909,846.14
Consumption of materials	6,591,941.90	725,049,519.67
Utilities	2,699,288.88	130,904,560.17
Welfare expenses	1,843,032.00	4,556,030.19
Housing provident funds	1,629,610.20	4,151,966.75
Union funds	523,578.63	1,271,458.04
Other expenses	648,586.15	1,280,988.88
Total	93,261,011.49	1,080,331,754.42
Of which: R&D expenses included in profit or loss	93,261,011.49	1,080,331,754.42

X Financial Report

IX. Change in Scope of Consolidation

1. 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 of loss of control as of the date	Carrying amount of remaining shareholding as of the date	Fair value of remaining shareholding as of the date	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
Shouguang Wei Yuan Logistics Company Limited	650,000.00	100.00%	Transfer	2025/4/30	Loss of control	166,396.34	0.00	0.00	0.00	N/A	N/A	N/A
Shandong Shengming Enterprise Management Co., Ltd. and subsidiaries	1,073,396,900.00	100.00%	Transfer	2025/12/31	Loss of control	-38,573,691.25	0.00	0.00	0.00	N/A	N/A	N/A

Any transaction or event that results in the loss of control of any subsidiary during the period

Yes No

2. Change in scope of consolidation due to other reasons

The Company's subsidiary, Shandong Chenming Paper Sales Co., Ltd., acquired the trust beneficiary rights of Minmetals Trust – Chenming Paper Venture No.1 Investment Collective Fund Trust Plan held by Xinyu Xinhengming Trading Co., Ltd. (新余新恒鳴貿易有限公司) and Shandong Zhemin Trading Co., Ltd. (山東哲民貿易有限公司), thereby obtaining control over Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership), and accordingly included it in the scope of consolidation.

During the period, the subsidiaries Zhanjiang Meilun Pulp & Paper Co., Ltd. and Chenming Paper United States Co., Ltd. were deregistered, while Zhanjiang Chenming Paper Co., Ltd., Chenming International Trade Import and Export Co., Limited, and Shanghai Hongtai Tengda Industrial Development Co., Ltd. were newly established.

X 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 (%)			
Shouguang Meilun Paper Co., Ltd.	480,104.55	Shouguang	Shouguang	Paper making	For-profit corporation	68.28	18.50	Establishment	0	0
Shouguang Meichen Energy Technology Co., Ltd.	100.00	Shouguang	Shouguang	Electricity	For-profit corporation		100	Establishment	0	0
Shandong Chenming Paper Co., Ltd.	1,000.00	Weifang	Weifang	Paper product trading	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
Shouguang Chenming Art Paper Co., Ltd.	2,000.00 (USD)	Shouguang	Shouguang	Paper making	For-profit corporation	75	25	Establishment	0	0
Shandong Chenming Pulp & Paper Sales Co., Ltd.	10,000.00	Shouguang	Shouguang	Sales of paper	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
Shandong Chenming Paper Sales Co., Ltd.	10,000.00	Shouguang	Shouguang	Paper product trading	For-profit corporation		100	Establishment	0	0
Chenming International Trade Import and Export Co., Limited	100.00 (USD)	Hong Kong	Hong Kong	Paper product trading	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
Zhanjiang Chenming Pulp & Paper Co., Ltd.	691,357.24	Zhanjiang	Zhanjiang	Paper making	For-profit corporation	80.28		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
Guangdong Huirui Investment Co., Ltd.	25,800.00	Zhanjiang	Zhanjiang	Investment	For-profit corporation		100	Establishment	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

X 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 (%)			
Zhanjiang Chenming Technology Development Co., Ltd.	10,000.00	Zhanjiang	Zhanjiang	Paper product trading	For-profit corporation	100		Establishment	0	0
Zhanjiang Chenming Paper Co., Ltd.	1,000.00	Shouguang	Shouguang	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
Jiangxi Chenming Tea Co., Ltd.	1,000.00	Jiangxi	Jiangxi	Tea business	For-profit corporation		100	Establishment	0	0
Jiangxi Chenming Paper Co., Ltd.	32,673.32 (USD)	Nanchang	Nanchang	Paper making	For-profit corporation		100	Establishment	0	0
Jiangxi Chenming Logistics Co., Ltd.	500.00	Nanchang	Nanchang	Logistics	For-profit corporation		100	Establishment	0	0
Nanchang Shengheng Trading Co., Ltd.	10,000.00	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
Nanchang Chenming Arboriculture Development Co., Ltd.	1,000.00	Nanchang	Nanchang	Arboriculture	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
Jilin Chenming Paper Co., Ltd.	300,000.00	Jilin	Jilin	Paper making	For-profit corporation		100	Acquisition	0	0
Fuyu Chenming Paper Co., Ltd.	30,800.00	Fuyu	Fuyu	Paper making	For-profit corporation		100	Establishment	0	0
Jilin Chenming New Wall Materials Co., Ltd.	1,000.00	Jilin	Jilin	Wall materials	For-profit corporation		100	Establishment	0	0
Jilin Chenming Logistics Co., Ltd.	1,000.00	Jilin	Jilin	Logistics	For-profit corporation		100	Establishment	0	0
Jilin Chenming Pulp & Fiber Trading Co., Ltd.	5,000.00	Huanggang	Huanggang	Trading	For-profit corporation		100	Establishment	0	0
Huanggang Chenming Pulp & Paper Co., Ltd.	335,000.00	Huanggang	Huanggang	Pulp production	For-profit corporation	14.09	85.91	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 Service Co., Ltd.	5,000.00	Huanggang	Huanggang	Port services	For-profit corporation		100	Establishment	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

X 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 (%)			
Hubei Chenming Technology Industrial Co., Ltd.	5,000.00	Huanggang	Huanggang	Paper product trading	For-profit corporation		100	Establishment	0	0
Shandong Chenming Group Finance Co., Ltd.	500,000.00	Jinan	Jinan	Finance	For-profit corporation	80	20	Establishment	0	0
Chenming (HK) Limited	9,990.00 (USD)	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100	Establishment	0	0
Shandong Chenming Investment Limited	20,000.00	Jinan	Jinan	Investment	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
Chenming GmbH	65.00 (USD)	Germany	Germany	Paper product trading	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
Yimei Limited (依美有限公司)	50.00 (USD)	British Virgin Islands	British Virgin Islands	Investment	For-profit corporation		100	Establishment	0	0
Chenming Paper Korea Co., Ltd.	100.00 (USD)	South Korea	South Korea	Paper product trading	For-profit corporation	100		Establishment	0	0
Chenming (Overseas) Co., Ltd.	2,000.00 (USD)	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100	Establishment	0	0
Chenming (Singapore) Co., Ltd.	2,000.00 (USD)	Singapore	Singapore	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
Shanghai Chenming Industry Co., Ltd.	370,000.00	Shanghai	Shanghai	Property investment and management	For-profit corporation		100	Establishment	0	0
Shanghai Hongtai Tengda Industrial Development Co., Ltd.	8,000.00	Shanghai	Shanghai	Trading	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
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
Shanghai Herui Investment Co., Ltd.	30,150.00	Shanghai	Shanghai	Business services	For-profit corporation		100	Merger and acquisition	0	0

X 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 (%)			
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
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	Lease and business services	For-profit corporation		100	Acquisition	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
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
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
Hailaer Chenming Paper Co., Ltd.	1,600.00	Hailaer	Hailaer	Paper making	For-profit corporation	75		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
Weifang Chendu Equity Investment Partnership (Limited Partnership)	32,000.00	Shouguang	Shouguang	Capital market services	For-profit corporation	79.69		Establishment	0	0
Shandong Yujing Grand Hotel Co., Ltd.	4,192.48 (USD)	Shouguang	Shouguang	Catering	For-profit corporation	90.05		Establishment	0	0
Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)	90,300.00	Weifang	Weifang	Equity investment	For-profit corporation		99.67	Merger and acquisition	0	0

X 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.	13.21	-229,488,758.03		1,380,768,448.07
Zhanjiang Chenming Pulp & Paper Co., Ltd.	19.72	-418,634,212.64	126,756,041.68	859,042,185.23

(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.	5,638,334,917.92	9,266,216,250.55	14,904,551,168.47	7,547,551,168.31	881,715,334.28	8,429,266,502.59	10,198,457,312.12	9,544,065,823.56	19,742,523,135.68	12,006,315,839.27	7,392,419.69	12,013,708,258.96
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,643,877,771.78	13,253,813,129.03	18,897,690,900.81	12,688,287,928.17	397,269,726.29	13,085,557,654.46	8,429,523,936.97	11,986,351,774.32	20,415,875,711.29	11,877,878,416.94	473,681,057.41	12,351,559,474.35

Unit: RMB

Name of subsidiary	Amount during the period				Amount during 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.	3,431,543,810.39	-1,093,225,282.26	-1,093,225,282.26	-2,833,111.58	8,141,538,879.98	-570,290,773.09	-570,290,773.09	498,166,092.88
Zhanjiang Chenming Pulp & Paper Co., Ltd.	166,846,503.02	-2,122,557,877.02	-2,130,520,692.68	-10,076,400.04	10,918,531,151.42	-883,547,814.00	-877,177,341.17	349,194,411.81

X 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 75% equity interest in Shouguang Chenming Art Paper Co., Ltd. In June 2025, the Company and ARJOWIGGINS HKK2 LIMITED entered into an equity transfer agreement and acquired additional 25% equity interests, for a consideration of RMB35,748,442.80.

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

Unit: RMB

Item	Shouguang Chenming Art Paper Co., Ltd.
Cost of acquisition/Disposal consideration	35,748,442.80
– Cash	35,748,442.80
Total cost of acquisition/disposal consideration	35,748,442.80
Less: Share of net assets of the subsidiary calculated based on the proportion of equity interest acquired/disposed of	33,724,049.84
Difference	2,024,392.96
Including: Capital reserve adjustment	2,024,392.96

3. Interest in joint ventures 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 ventures						
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Shouguang	Shouguang	Investment		49.57	Equity method
II. Associates						
Guangdong Nanyue Bank Co., Ltd.	Guangdong	Guangdong	Bank		4.46	Equity method

① 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).

② The investment in the joint venture Shouguang Jintou Industrial Investment Partnership (Limited Partnership) was disposed of during the current period.

X Financial Report

X. Interest in Other Entities (Continued)

3. Interest in joint ventures or associates (Continued)

(2) Key financial information of major joint ventures

Unit: RMB

	Closing balance/ Amount during the period Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Opening balance/ Amount during the prior period Shouguang Jintou Industrial Investment Partnership (Limited Partnership)
Current assets	[•]	1,469,875,783.97
Of which: Cash and cash equivalents	[•]	11,415,277.31
Non-current assets	[•]	594,445,221.29
Total assets	[•]	2,064,321,005.26
Current liabilities	[•]	257,355,454.66
Non-current liabilities	[•]	22,702,318.57
Total liabilities	[•]	280,057,773.23
Net assets	[•]	1,784,263,232.03
Of which: Minority interest	[•]	5,172,055.47
Equity interest attributable to shareholders of the parent company	[•]	1,779,091,176.56
Share of net assets based on shareholding	[•]	881,884,821.67
Adjustments	[•]	897,206,354.89
Of which: Others	[•]	897,206,354.89
Carrying amount of equity investment in joint ventures	[•]	1,779,091,176.56
Fair value of equity investment in joint ventures with a quoted price in the open market		
Revenue	546,773,193.94	503,795,502.75
Finance expenses	-32,875.29	1,790,006.41
Income tax expenses		
Net profit	-881,354,333.65	-565,479,070.99
Total comprehensive income	-881,354,333.65	-565,479,070.99
Dividends received from joint ventures during the year		

X Financial Report

X. Interest in Other Entities (Continued)

3. Interest in joint ventures or associates (Continued)

(3) Key financial information of major associates

Unit: RMB

	Closing balance/ Amount during the period Guangdong Nanyue Bank Co., Ltd.	Opening balance/ Amount during the prior period Guangdong Nanyue Bank Co., Ltd.
Current assets	213,834,774,008.61	195,708,622,711.11
Non-current assets	124,669,090,061.85	132,561,137,018.86
Total assets	338,503,864,070.46	328,269,759,729.97
Current liabilities	290,958,764,493.77	273,238,389,155.39
Non-current liabilities	18,695,631,540.20	24,657,998,149.20
Total liabilities	309,654,396,033.97	297,896,387,304.59
Net assets	28,849,468,036.49	30,373,372,425.38
Of which: Minority interest		
Equity interest attributable to shareholders of the parent company	28,849,468,036.49	30,373,372,425.38
Share of net assets based on shareholding	1,285,878,489.32	1,354,652,410.17
Adjustments		
Of which: Goodwill		
Carrying amount of equity investment in associates	1,285,878,489.32	1,354,652,410.17
Fair value of equity investment with a quoted price in the open market		
Revenue	2,845,533,548.17	2,784,608,144.97
Net profit	334,826,945.99	420,235,807.79
Other comprehensive income	-172,505,538.85	142,835,713.60
Total comprehensive income	162,321,407.14	563,071,521.39
Dividends received from associates during the year		

X Financial Report

X. Interest in Other Entities *(Continued)*

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

(4) Summary financial information of non-major joint ventures and associates

Unit: RMB

	Closing balance/ Amount during the period	Opening balance/ Amount during the period
Joint ventures:		
Total carrying amount of investment	158,464,726.08	192,441,660.84
Total amount of the following items based on shareholding		
Net profit	-16,411,934.76	8,537,278.56
Other comprehensive income		
Total comprehensive income	-16,411,934.76	8,537,278.56
Associates:		
Total carrying amount of investment	651,610,129.87	644,850,163.97
Total amount of the following items based on shareholding		
Net profit	16,919,251.24	-151,193,462.54
Other comprehensive income		
Total comprehensive income	16,919,251.24	-151,193,462.54

X 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

Liability item	Opening balance	New grants during the period	Included in non-operating income for the period	Included in other income for the period	Charged against cost expenses	Other changes	Closing balance	Asset-related/income-related
Funding for environmental protection	478,415,952.52			50,928,082.72			427,487,869.80	Asset-related
Huanggang forestry-pulp-paper project	420,942,087.45			25,026,217.80	41,377,787.52		354,538,082.13	Asset-related
Infrastructure and environmental protection engineering	185,285,787.80			11,517,589.48	12,227,345.28		161,540,853.04	Asset-related
Financial subsidies for technological transformation project	89,417,910.72			9,333,104.96			80,084,805.76	Asset-related
Zhanjiang forestry-pulp-paper project	38,522,698.43			4,094,632.92			34,428,065.51	Asset-related
Project fund for National Key Technology Research and Development Program	629,025.00			164,700.00			464,325.00	Asset-related
Others	27,726,023.60			1,687,210.08			26,038,813.52	Asset-related
Total	1,240,939,485.52			102,751,537.96	53,605,132.80		1,084,582,814.76	

X 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 income	50,928,082.72	50,778,082.72
Huanggang pulp-forestry-paper project	Other income	25,026,217.80	25,026,217.80
Sewage treatment and water conservation transformation project	Other income	11,517,589.48	11,517,589.45
Financial subsidies for technological transformation project	Other income	9,333,104.96	8,958,104.96
Government awards	Other income	8,820,000.00	3,153,800.00
Zhanjiang forestry-pulp-paper project	Other income	4,094,632.92	4,094,632.92
Sea-rail intermodal transport subsidy	Other income	3,398,531.70	
Afforestation subsidy	Other income	1,270,805.23	1,032,091.00
Special fund for the development of modern commerce and trade	Other income	885,000.00	4,946,000.00
Employment stabilisation subsidy	Other income	717,112.24	3,388,129.28
Special subsidy for foreign trade	Other income		2,660,000.00
Project fund for National Key Technology Research and Development Program	Other income	164,700.00	164,700.00
Industrial development subsidy	Other income	105,244.56	117,967.00
Others	Other income	2,894,204.39	4,665,388.54
Total		119,155,226.00	120,502,703.67

XII. Risk relating to financial instruments

Main financial instruments of the Company include monetary funds, bills receivable, accounts receivable, accounts receivable financing, other receivables, non-current assets due within one year, other current assets, financial assets held for trading, other non-current financial assets, long-term receivables, bills payable, accounts payable, other payables, short-term borrowings, financial liabilities held for trading, non-current liabilities due within one year, long-term borrowings, lease liabilities and long-term payables. Details of financial instruments refer to related notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled in a limited extent.

1. Various risks from financial instruments

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).

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

1. Various risks from financial instruments *(Continued)*

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 risk management 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.

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, evaluate and avoid 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 counterparty.

(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 on 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 receivable, 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 18.28% (2024: 39.64%) of the Company's total accounts receivable. The amount of top 5 other receivable of the Company accounted for 57.68% (2024: 66.28%) of the Company's total other receivables.

X Financial Report

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

1. Various risks from financial instruments *(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 the end of the period, the Company's unused bank loan credit was RMB38 million (end of the prior year: RMB11,176.9188 million).

As at the end of the period, the financial assets, financial liabilities and off balance sheet guarantee held by the Company are analysed by their maturity date as below at their remaining undiscounted contractual cash flows (in RMB'0,000):

Item	Closing balance				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets:					
Monetary funds	20,102.57				20,102.57
Financial assets held for trading	3,879.11				3,879.11
Bills receivable	79,393.93				79,393.93
Accounts receivable	117,839.22				117,839.22
Accounts receivable financing	3,597.81				3,597.81
Other receivables	56,447.73				56,447.73
Long-term receivables		22,273.51	85,946.09	182,121.83	290,341.43
Other non-current financial assets				32,793.46	32,793.46
Other current assets	279.90				279.90
Non-current assets due within one year	22,005.00				22,005.00
Total financial assets	303,545.27	22,273.51	85,946.09	214,915.29	626,680.16
Financial liabilities:					
Short-term borrowings	2,111,259.38				2,111,259.38
Accounts payable	860,872.71				860,872.71
Other payables	434,329.03				434,329.03
Non-current liabilities due within one year	239,668.26				239,668.26
Other current liabilities	165,995.04				165,995.04
Long-term borrowings		39,129.52	361,526.23	156,018.01	556,673.76
Lease liabilities		277.47	1,402.07	3,051.79	4,731.33
Long-term payables		75,048.40	105,998.05		181,046.45
Total financial liabilities and contingent liabilities	3,812,124.42	114,455.39	468,926.35	159,069.80	4,554,575.96

X Financial Report

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

1. Various risks from financial instruments *(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	588,069.11				588,069.11
Financial assets held for trading	3,725.93				3,725.93
Bills receivable	50,660.57				50,660.57
Accounts receivable	266,836.20				266,836.20
Accounts receivable financing	10,073.08				10,073.08
Other receivables	256,175.64				256,175.64
Long-term receivables		11,281.94	22,341.95	1,432.04	35,055.93
Other non-current financial assets				75,103.05	75,103.05
Other current assets	88,236.02				88,236.02
Non-current assets due within one year	491,100.90				491,100.90
Total financial assets	1,754,877.45	11,281.94	22,341.95	76,535.09	1,865,036.43
Financial liabilities:					
Short-term borrowings	2,675,234.73				2,675,234.73
Bills payable	142,391.81				142,391.81
Accounts payable	770,896.74				770,896.74
Other payables	283,336.77				283,336.77
Non-current liabilities due within one year	160,954.54				160,954.54
Other current liabilities	286,369.42				286,369.42
Long-term borrowings		165,672.85	109,483.19	201,032.48	476,188.52
Lease liabilities		286.71	1,011.20	3,615.65	4,913.56
Long-term payables		46,996.82	34,565.33		81,562.15
Total financial liabilities and contingent liabilities	4,319,184.01	212,956.38	145,059.72	204,648.13	4,881,848.24

The financial liabilities disclosed above are based on cash flows that are not discounted and may differ from the carrying amount of the line items of the balance sheet.

Maximum guarantee amount for signed guarantee contracts does not represent the amount to be paid.

X Financial Report

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

1. Various risks from financial instruments *(Continued)*

(3) Market risk

Market risk, including interest rate risk, exchange rate risk and other price risks, 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 closely monitors the interest rate position of the Company. The Company did not enter into any interest rate hedging arrangements. However, 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	Amount for the period	Amount for the prior period
Financial instrument with fixed interest rate		
Financial liabilities		
Including: Short-term borrowings	2,111,259.38	2,675,234.73
Long-term borrowings	556,673.76	476,188.52
Long-term borrowings due within one year	169,216.27	120,435.06
Total	2,837,149.41	3,271,858.31
Financial instrument with float interest rate		
Financial assets		
Including: Monetary funds	19,861.60	587,932.77
Total	19,861.60	587,932.77

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

1. Various risks from financial instruments *(Continued)*

(3) Market risk *(Continued)*

Interest rate risk *(Continued)*

The financial instruments held by the Company at the reporting date expose the Company to fair value interest rate risk. This sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Company at the reporting date expose the Company to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the effect to the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for prior year.

Exchange rate risk

Exchange rate 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 USD, EUR, HKD and JPY).

The following table details the financial assets and liabilities held by the Company which denominated in foreign currencies and amounted to RMB as at the end of the period are as follows (in RMB'0,000):

Item	Liabilities denominated in foreign currency		Assets denominated in foreign currency	
	Closing balance	Balance as at the end of the prior year	Closing balance	Balance as at the end of the prior year
USD	44,980.44	66,705.08	12,292.53	42,042.69
EUR	3,120.86	3,838.45	765.06	1,044.24
HKD			6.42	143.97
JPY	1.09		813.14	677.92
SGD				2.12
GBP				1.61
Total	48,102.39	70,543.53	13,877.15	43,912.55

The Company 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 Company may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts.

X Financial Report

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

1. Various risks from financial instruments *(Continued)*

(3) Market risk *(Continued)*

Exchange rate risk

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	Amount for the period		Amount for the prior period	
Increase in exchange rate of USD	5%	-1,634.40	5%	-1,233.12
Decrease in exchange rate of USD	-5%	1,634.40	-5%	1,233.12
Increase in exchange rate of EUR	5%	-117.79	5%	-139.71
Decrease in exchange rate of EUR	-5%	117.79	-5%	139.71

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. Currently, 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 4.11% (prior year: -19.52%) in equity securities investment prices on the Company's current profit and loss and other comprehensive income is as follows (in 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	153.18	-903.50		

X 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 and other equity instruments 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 the end of the period, the Company's gearing ratio is 94.44% (end of the prior year: 79.79%).

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
Transfer by agreement	Debt receivable	87,189,645.64	Derecognised	Where the Company transferred substantially all of the risks and rewards
Transfer by agreement	Debt receivable	2,262,956,136.67	Derecognised	Where the Company transferred substantially all of the risks and rewards
Endorsement or discounting	Bills receivable	790,446,731.06	Not derecognised	Where the Company retains almost all the risks and rewards, including the risk of default associated with it
Endorsement or discounting	Accounts receivable financing	1,623,727,215.08	Derecognised	Where the Company transferred substantially all of the risks and rewards
Total		4,764,319,728.45		

(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
Debt receivable	Transfer by agreement	87,189,645.64	-83,297,505.26
Debt receivable	Transfer by agreement	2,262,956,136.67	-508,717,826.72
Accounts receivable financing	Endorsement or discounting	1,623,727,215.08	-5,510,957.14
Total		3,973,872,997.39	-597,526,289.12

X Financial Report

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 at the end of the period		Total
		Fair value measurements categorised into Level 2	Fair value measurements categorised into Level 3	
I. Measurement of fair value on an ongoing basis				
(i) Financial assets held for trading	38,791,121.74			38,791,121.74
1. Equity instrument investments	38,791,121.74			38,791,121.74
(ii) Accounts receivable financing	—		35,978,138.45	35,978,138.45
(iii) Other non-current financial assets			327,934,626.32	327,934,626.32
(iv) Biological assets			1,063,081,495.03	1,063,081,495.03
1. Consumable biological assets			1,063,081,495.03	1,063,081,495.03
Total assets measured at fair value on an ongoing basis	38,791,121.74		1,426,994,259.80	1,465,785,381.54

For financial assets that are traded in an active market, the Company determines the fair value based on the quoted price in the active market. For other non-current financial assets that are not traded in an active market, the fair value at the end of the period is determined by evaluating the investment in Shandong Hongqiao Venture Capital Co., Ltd.; for the investment in Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership), the Company determines the fair value at the end of the period by calculating the average price-earnings ratio, price-to-book ratio and price-to-sales ratio of listed companies in the same industry in combination with its profit prediction; the fair value of the investment in Shanghai Hengzhan Venture Capital Center (Limited Partnership) and Lide Technology Co., Ltd. is based on historical cost.

X Financial Report

XIII. Fair value disclosure

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

(2) Quantitative information about significant unobservable inputs used in the Level 3 fair value measurement that are significant

Item	Fair value as at the end of the period	Valuation techniques	Unobservable inputs	Range
Equity instrument investments:				
Shandong Hongqiao Venture Capital Co., Ltd.	43,360,000.00	Cost method		
Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership)	241,977,314.93	See explanation for details		
Consumable biological assets:				
Forestry	1,063,081,495.03	Replacement cost method, roll back method of market price, revaluation method of harvest	Unit price per tonne of Eucalyptus wood Unit price per tonne of wet pine Unit price per tonne of fir wood	RMB510 RMB515 RMB490

Explanation: The Company has no active trading market for Jiaohui Chenming Zhuli (Suzhou) Emerging Industry Development Fund Partnership (Limited Partnership). The Company determines the fair value at the end of the period by calculating the average price-earnings ratio, price-to-book ratio and price-to-sales ratio of listed companies in the same industry in combination with its profit prediction.

(3) Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

Item (current amount)	Opening balance	Total profit or loss for the period			Closing balance
		Transfer to Level 3	Transferred to profit and loss	Transferred to other comprehensive income	
Accounts receivable financing	100,730,797.32		64,752,658.87		35,978,138.45
Other non-current financial assets	751,030,454.68		406,974,883.05	-16,120,945.31	327,934,626.32
Biological assets:	1,256,379,773.85		58,272,689.47	-135,025,589.35	1,063,081,495.03
Consumable biological assets	1,256,379,773.85		58,272,689.47	-135,025,589.35	1,063,081,495.03
Total	2,108,141,025.85		530,000,231.39	-151,146,534.66	1,426,994,259.80

XIV. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Chenming Holdings Co., Ltd.	Shouguang	Investment in manufacture of paper, electricity, steam, and arboriculture	1,238,787,700	15.50%	15.50%

X Financial Report

XIV. Related parties and related party transactions (Continued)

1. Parent company of the Company (Continued)

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 X. 1.

3. Joint ventures and associates of the Company

For details of material joint ventures and associates of the Company, please refer to Note X. 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 Wharf 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 Qianneng Electric Power Co., Ltd.	A subsidiary of an associate of the Company
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	An associate of the Company
Chenming (Qingdao) Asset Management	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
Sunshine OJI (Shouguang) Special Paper Co., Ltd.	An entity in which the former chairman of the Company's controlling shareholder served as a director within the past twelve months
Jiang Yanshan, Li Weixian, Liu Peiji, Meng Feng, Zhu Yanli, Song Yuchen, Wang Ying, Zhang Zhiyuan, Luo Xinhua, Wan Gang, Kong Pengzhi, Ge Guangming, Dong Lianming, Guo Qinyan, Yuan Xikun, Chu Hon Leung, Hu Changqing (resigned), Li Xingchun (resigned), Li Feng (resigned), Han Tingde (resigned), Li Chuanxuan (resigned), Li Zhihui (resigned), Sun Jianfei (resigned), Yin Meiqun (resigned), Yang Biao (resigned), Li Zhenzhong (resigned), Li Mingtang (resigned)	Key management personnel of the Company

X 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	Subject matter of the related party transactions	Amount for the period	Transaction facility approved	Whether the transaction facility is exceeded	Amount for the prior period
Weifang Port Wood Chip Wharf Co., Ltd.	Port miscellaneous fees	4,924,499.03	110,000,000.00	No	86,203,912.59
Shouguang Meite Environmental Technology Co., Ltd.	Purchase of chemical materials	8,711,556.00	N/A	N/A	22,683,726.74

Table on sales of goods/providing of services

Unit: RMB

Related party	Subject matter of the related party transactions	Amount for the period	Amount for the prior period
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Sales of electricity and steam	13,840,589.89	13,910,563.45
Shouguang Huixin Construction Materials Co., Ltd.	Sales of electricity, etc.	39,476.20	238,057.97
Shouguang Meite Environmental Technology Co., Ltd.	Sales of electricity, water, etc.	1,117,250.04	2,922,144.29
Sunshine OJI (Shouguang) Special Paper Co., Ltd.	Sales of steam	7,030,100.00	

(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 Chenming Huisen New-style Construction Materials Co., Ltd.	Land	233,944.95	233,944.95
Shouguang Huixin Construction Materials Co., Ltd.	Land	123,853.21	123,853.21
Shouguang Meite Environmental Technology Co., Ltd.	Housing	1,467,889.95	1,467,889.91
Chenming (Qingdao) Asset Management	Housing and building structure		667,610.46
Lide Technology Co., Ltd.	Housing and building structure	331,694.19	1,918,497.41

X 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
Chenming (HK) Limited	3,851,256.79	2025-10-8	2026-1-6	No
Chenming (HK) Limited	13,831,610.94	2025-11-14	2026-2-12	No
Chenming (HK) Limited	3,780,268.58	2025-11-17	2026-2-16	No
Chenming (HK) Limited	6,487,969.27	2025-11-18	2026-2-16	No
Chenming (HK) Limited	3,629,209.82	2025-11-26	2026-2-24	No
Chenming (HK) Limited	2,930,702.86	2025-12-23	2026-3-23	No
Chenming (HK) Limited	4,343,687.49	2025-12-23	2026-3-23	No
Chenming (HK) Limited	3,993,563.98	2025-12-29	2026-3-30	No
Chenming (HK) Limited	3,500,143.20	2025-12-29	2026-3-30	No
Chenming (HK) Limited	33,295,369.51	2024-1-4	2030-1-3	No
Chenming (HK) Limited	8,002,077.94	2025-10-16	2026-4-14	No
Chenming (HK) Limited	2,469,841.60	2025-10-24	2026-4-26	No
Chenming (HK) Limited	7,480,744.04	2025-10-24	2026-4-26	No
Chenming (HK) Limited	4,467,225.96	2025-11-4	2026-5-3	No
Hainan Chenming Technology Co., Ltd.	50,000,000.00	2025-1-16	2026-1-16	No
Hainan Chenming Technology Co., Ltd.	126,000,000.00	2025-3-28	2026-3-28	No
Hainan Chenming Technology Co., Ltd.	39,600,000.00	2025-6-10	2026-6-10	No
Hainan Chenming Technology Co., Ltd.	50,000,000.00	2025-7-20	2026-7-20	No
Hainan Chenming Technology Co., Ltd.	110,000,000.00	2025-7-21	2026-7-18	No

X 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
Hainan Chenming Technology Co., Ltd.	8,400,000.00	2025-7-2	2026-7-2	No
Hainan Chenming Technology Co., Ltd.	70,000,000.00	2025-11-26	2026-11-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2024-4-28	2026-4-27	No
Huanggang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2025-5-20	2026-5-19	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2024-7-19	2026-7-18	No
Huanggang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2024-8-14	2026-8-13	No
Huanggang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2024-9-23	2026-9-23	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2024-10-18	2026-10-18	No
Huanggang Chenming Pulp & Paper Co., Ltd.	741,640,000.00	2019-12-16	2031-12-15	No
Huanggang Chenming Pulp & Paper Co., Ltd.	73,985,646.20	2025-2-28	2027-9-28	No
Huanggang Chenming Pulp & Paper Co., Ltd.	68,000,000.00	2025-4-25	2027-12-5	No
Huanggang Chenming Pulp & Paper Co., Ltd.	84,900,000.00	2022-5-20	2026-10-27	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,993,016.93	2022-11-30	2028-2-25	No
Huanggang Chenming Pulp & Paper Co., Ltd.	19,760,595.47	2023-1-12	2027-4-24	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2023-3-9	2026-3-9	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,569,402.86	2023-4-24	2026-12-10	No
Huanggang Chenming Pulp & Paper Co., Ltd.	9,165,073.88	2023-5-10	2026-4-15	No
Huanggang Chenming Pulp & Paper Co., Ltd.	120,365,399.50	2023-7-18	2027-11-15	No
Huanggang Chenming Pulp & Paper Co., Ltd.	59,800,740.00	2023-11-23	2027-11-23	No
Huanggang Chenming Pulp & Paper Co., Ltd.	76,928,689.66	2024-1-30	2028-1-30	No
Jilin Chenming Pulp & Fiber Trading Co., Ltd.	10,000,000.00	2024-9-24	2026-9-24	No
Jilin Chenming Paper Co., Ltd.	15,000,000.00	2024-5-17	2026-6-15	No
Jilin Chenming Paper Co., Ltd.	183,925,999.23	2023-12-15	2026-11-13	No
Jilin Chenming Paper Co., Ltd.	90,998,111.11	2024-9-29	2026-9-28	No
Jilin Chenming Paper Co., Ltd.	48,000,000.00	2025-12-17	2028-9-29	No
Jilin Chenming Paper Co., Ltd.	33,000,000.00	2025-11-6	2028-11-6	No
Jilin Chenming Paper Co., Ltd.	179,750,000.00	2025-11-6	2030-10-29	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2024-10-31	2025-10-27	No
Jiangxi Chenming Paper Co., Ltd.	193,450,000.00	2025-2-21	2026-2-20	No
Jiangxi Chenming Paper Co., Ltd.	19,959,366.67	2025-4-3	2026-1-26	No
Jiangxi Chenming Paper Co., Ltd.	59,748,619.03	2025-4-8	2026-1-26	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2025-4-24	2026-4-23	No
Jiangxi Chenming Paper Co., Ltd.	19,800,000.00	2025-5-22	2026-5-21	No
Jiangxi Chenming Paper Co., Ltd.	19,800,000.00	2025-5-23	2026-5-22	No
Jiangxi Chenming Paper Co., Ltd.	20,350,000.00	2025-6-27	2026-5-20	No
Jiangxi Chenming Paper Co., Ltd.	19,545,000.00	2025-11-30	2026-11-29	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2025-11-30	2026-11-29	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2025-11-30	2026-11-29	No
Jiangxi Chenming Paper Co., Ltd.	3,500,000.00	2025-11-30	2026-11-29	No

X 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
Jiangxi Chenming Paper Co., Ltd.	6,500,000.00	2025-11-30	2026-11-29	No
Jiangxi Chenming Paper Co., Ltd.	2,965,100.00	2025-12-20	2026-12-20	No
Jiangxi Chenming Paper Co., Ltd.	2,850,400.00	2025-12-21	2026-12-21	No
Jiangxi Chenming Paper Co., Ltd.	979,314.95	2025-12-30	2026-12-30	No
Jiangxi Chenming Paper Co., Ltd.	1,050,948.10	2025-12-30	2026-12-30	No
Jiangxi Chenming Paper Co., Ltd.	1,289,794.55	2025-12-30	2026-12-28	No
Jiangxi Chenming Paper Co., Ltd.	2,000,000.00	2025-12-30	2026-12-28	No
Jiangxi Chenming Paper Co., Ltd.	2,008,854.97	2025-12-30	2026-12-29	No
Jiangxi Chenming Paper Co., Ltd.	5,000,000.00	2025-12-30	2026-12-30	No
Jiangxi Chenming Paper Co., Ltd.	17,000,000.00	2025-12-30	2026-12-30	No
Jiangxi Chenming Paper Co., Ltd.	29,000,000.00	2025-12-30	2026-12-29	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	2025-12-30	2026-12-29	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2025-12-30	2026-12-29	No
Jiangxi Chenming Paper Co., Ltd.	80,000,000.00	2025-12-30	2026-12-29	No
Jiangxi Chenming Paper Co., Ltd.	91,200,000.00	2025-12-30	2026-12-28	No
Jiangxi Chenming Paper Co., Ltd.	9,979,500.00	2025-12-16	2026-10-27	No
Jiangxi Chenming Paper Co., Ltd.	66,000,000.00	2025-9-11	2028-8-29	No
Jiangxi Chenming Paper Co., Ltd.	30,000,000.00	2025-9-12	2028-8-29	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2025-9-18	2028-8-29	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2025-9-24	2028-8-29	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2025-9-25	2028-8-29	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2025-9-26	2028-8-29	No
Jiangxi Chenming Paper Co., Ltd.	500,000,000.00	2025-12-31	2028-8-29	No
Jiangxi Chenming Paper Co., Ltd.	57,600,000.00	2024-9-29	2026-3-29	No
Jiangxi Chenming Paper Co., Ltd.	30,000,000.00	2023-9-8	2026-8-22	No
Jiangxi Chenming Paper Co., Ltd.	106,975,661.00	2022-2-28	2028-2-28	No
Jiangxi Chenming Paper Co., Ltd.	15,334,938.09	2023-12-4	2027-10-15	No
Jiangxi Chenming Paper Co., Ltd.	30,000,000.00	2024-10-17	2027-10-17	No
Jiangxi Chenming Paper Co., Ltd.	13,971,781.19	2022-10-11	2026-9-7	No
Jiangxi Chenming Paper Co., Ltd.	11,259,827.27	2022-8-18	2026-7-24	No
Jiangxi Chenming Paper Co., Ltd.	52,835,042.81	2022-5-23	2026-12-15	No
Jiangxi Chenming Paper Co., Ltd.	39,999,702.50	2024-4-30	2026-10-29	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	150,000,000.00	2024-2-8	2025-2-12	No

X 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
Shandong Chenming Pulp & Paper Sales Co., Ltd.	50,000,000.00	2024-9-24	2025-9-23	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	400,000,000.00	2025-3-29	2026-3-24	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	25,000,000.00	2025-3-26	2026-3-25	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	50,000,000.00	2025-3-27	2026-3-26	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	75,000,000.00	2025-3-31	2026-3-30	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	130,000,000.00	2025-4-2	2026-4-1	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	128,402,137.00	2025-4-2	2026-4-1	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	101,549,733.00	2025-4-7	2026-4-6	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	203,370,000.00	2025-8-15	2026-8-14	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	100,000,000.00	2025-9-10	2026-9-9	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	32,680,000.00	2025-9-19	2026-9-18	No
Shandong Chenming Pulp & Paper Sales Co., Ltd.	153,810,000.00	2025-10-10	2026-10-9	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	5,600,000.00	2024-6-4	2025-5-30	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	6,300,000.00	2024-6-14	2025-6-9	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	5,600,000.00	2024-6-20	2025-5-28	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	20,000,000.00	2024-6-21	2025-6-18	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	8,750,000.00	2023-2-13	2027-6-30	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	519,000,000.00	2024-10-18	2029-9-24	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	11,300,000.00	2025-2-28	2028-2-27	No
Shanghai Heruiming Property Management Co., Ltd.	20,000,000.00	2025-4-2	2025-9-30	No
Shanghai Heruiming Property Management Co., Ltd.	59,980,000.00	2024-5-23	2024-11-8	No
Shanghai Hongtai Real Estate Co., Ltd.	1,994,545,455.00	2023-6-9	2038-3-20	No
Shouguang Chenming Import and Export Trade Co., Ltd.	120,000,000.00	2025-11-19	2028-11-18	No
Shouguang Chenming Import and Export Trade Co., Ltd.	31,179,628.93	2024-8-25	2024-11-25	No
Shouguang Chenming Import and Export Trade Co., Ltd.	12,595,822.02	2024-8-26	2024-11-25	No
Shouguang Chenming Import and Export Trade Co., Ltd.	31,892,669.52	2024-9-24	2024-12-25	No
Shouguang Chenming Import and Export Trade Co., Ltd.	90,959,280.79	2024-9-26	2024-12-25	No
Shouguang Chenming Import and Export Trade Co., Ltd.	28,842,694.68	2024-10-27	2025-1-25	No
Shouguang Chenming Import and Export Trade Co., Ltd.	44,522,892.05	2024-10-28	2025-1-25	No
Shouguang Meilun Paper Co., Ltd.	71,649,000.00	2023-10-23	2024-10-23	No
Shouguang Meilun Paper Co., Ltd.	20,000,000.00	2025-2-27	2026-2-26	No
Shouguang Meilun Paper Co., Ltd.	55,369,763.58	2025-5-28	2026-5-27	No
Shouguang Meilun Paper Co., Ltd.	176,546,779.00	2025-6-25	2026-6-24	No
Shouguang Meilun Paper Co., Ltd.	45,727,471.00	2025-6-3	2026-6-2	No

X 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 Meilun Paper Co., Ltd.	98,114,605.00	2025-6-5	2026-6-4	No
Shouguang Meilun Paper Co., Ltd.	45,880,000.00	2025-7-25	2026-6-24	No
Shouguang Meilun Paper Co., Ltd.	45,880,000.00	2025-7-25	2026-6-24	No
Shouguang Meilun Paper Co., Ltd.	10,000,000.00	2025-12-22	2026-12-21	No
Shouguang Meilun Paper Co., Ltd.	29,400,000.00	2025-7-23	2026-1-23	No
Shouguang Meilun Paper Co., Ltd.	199,400,000.00	2025-11-12	2026-12-12	No
Shouguang Meilun Paper Co., Ltd.	133,253,598.00	2025-12-12	2026-12-11	No
Shouguang Meilun Paper Co., Ltd.	49,497,280.00	2025-12-15	2026-12-14	No
Shouguang Meilun Paper Co., Ltd.	93,998,400.00	2025-12-31	2026-12-30	No
Shouguang Meilun Paper Co., Ltd.	25,113,500.00	2025-12-31	2026-12-30	No
Shouguang Meilun Paper Co., Ltd.	44,000,000.00	2025-12-31	2026-12-30	No
Shouguang Meilun Paper Co., Ltd.	59,900,000.00	2025-12-31	2026-12-30	No
Shouguang Meilun Paper Co., Ltd.	269,000,000.00	2021-9-9	2029-12-20	No
Shouguang Meilun Paper Co., Ltd.	17,907,687.59	2021-12-14	2025-12-14	No
Shouguang Meilun Paper Co., Ltd.	2,887,491.97	2021-12-20	2025-12-20	No
Shouguang Meilun Paper Co., Ltd.	162,119,849.20	2022-3-14	2029-5-25	No
Shouguang Meilun Paper Co., Ltd.	8,850,506.04	2022-5-24	2027-4-30	No
Shouguang Meilun Paper Co., Ltd.	14,345,230.30	2022-6-6	2025-6-5	No
Shouguang Meilun Paper Co., Ltd.	21,399,530.65	2022-6-28	2026-6-28	No
Shouguang Meilun Paper Co., Ltd.	30,000,000.00	2022-8-25	2025-8-25	No
Shouguang Meilun Paper Co., Ltd.	21,466,666.64	2022-9-30	2026-12-15	No
Shouguang Meilun Paper Co., Ltd.	109,591,059.30	2022-11-25	2028-1-15	No
Shouguang Meilun Paper Co., Ltd.	194,000,000.00	2022-12-27	2027-12-24	No
Shouguang Meilun Paper Co., Ltd.	5,074,948.25	2022-12-29	2026-11-25	No
Shouguang Meilun Paper Co., Ltd.	12,000,000.00	2023-1-18	2027-1-18	No
Shouguang Meilun Paper Co., Ltd.	5,000,000.00	2023-3-29	2028-3-20	No
Shouguang Meilun Paper Co., Ltd.	114,500,000.00	2023-6-9	2030-9-20	No
Shouguang Meilun Paper Co., Ltd.	34,420,409.16	2023-8-30	2028-4-5	No
Shouguang Meilun Paper Co., Ltd.	16,578,745.04	2023-10-8	2026-5-15	No
Shouguang Meilun Paper Co., Ltd.	42,973,200.00	2023-10-25	2029-9-25	No
Shouguang Meilun Paper Co., Ltd.	499,000,000.00	2024-1-18	2029-1-18	No
Shouguang Meilun Paper Co., Ltd.	42,278,885.85	2024-1-29	2027-1-28	No
Shouguang Meilun Paper Co., Ltd.	25,446,656.28	2024-4-12	2025-4-12	No
Shouguang Meilun Paper Co., Ltd.	46,166,000.35	2024-5-24	2028-11-24	No

X 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 Meilun Paper Co., Ltd.	69,240,954.05	2024-5-28	2028-5-26	No
Shouguang Meilun Paper Co., Ltd.	27,000,000.00	2024-6-28	2027-6-28	No
Shouguang Meilun Paper Co., Ltd.	52,827,551.13	2024-7-5	2028-2-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	85,500,000.00	2023-11-29	2024-11-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-12-9	2026-12-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2025-12-31	2026-12-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	38,000,000.00	2024-3-21	2026-3-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,500,000.00	2024-3-26	2025-3-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	31,000,000.00	2024-3-28	2026-3-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2024-3-29	2026-3-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,000,000.00	2024-5-16	2026-5-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	75,770,782.44	2024-5-23	2024-11-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2024-5-29	2026-5-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	63,000,000.00	2024-5-31	2026-5-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2024-6-6	2026-6-5	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	38,372,000.00	2024-6-6	2026-5-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	47,784,000.00	2024-6-6	2026-5-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	48,000,000.00	2024-6-26	2026-6-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	62,000,000.00	2024-6-28	2026-6-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2024-7-12	2026-7-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	29,000,000.00	2024-7-18	2026-7-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2024-7-23	2026-7-22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2024-7-24	2026-7-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	41,408,350.00	2024-7-24	2026-7-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	2024-8-7	2026-8-6	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	59,000,000.00	2024-8-8	2026-8-7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2024-8-14	2026-8-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2024-9-25	2025-9-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	78,000,000.00	2024-10-10	2025-10-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	62,000,000.00	2024-10-11	2025-4-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	109,960,000.00	2024-10-15	2026-10-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	730,401.44	2024-10-17	2025-1-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	167,500,000.00	2024-11-11	2025-11-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	6,000,000.00	2024-11-13	2025-5-12	No

X 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.	100,200,000.00	2024-11-14	2025-11-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	59,460,000.00	2024-11-20	2025-11-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2024-9-12	2025-1-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2024-9-20	2025-1-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14,050,000.00	2025-1-3	2026-1-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	204,970,000.00	2025-3-29	2026-9-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	45,670,000.00	2025-3-29	2026-9-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	129,820,000.00	2025-3-31	2026-9-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,000,000.00	2025-3-10	2026-3-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2025-3-10	2026-3-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	39,900,000.00	2025-3-10	2026-3-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2025-1-3	2025-7-3	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2025-1-10	2025-7-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,000,000.00	2025-3-31	2026-3-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,290,000.00	2025-3-31	2026-3-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	13,800,000.00	2025-4-28	2026-10-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,290,000.00	2025-4-28	2026-4-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2025-4-28	2026-4-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	48,700,000.00	2025-4-29	2026-4-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	2025-5-21	2026-5-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	98,350,000.00	2025-5-20	2026-5-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,505,526.00	2025-5-26	2026-5-25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	494,474.00	2025-5-28	2026-5-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	47,500,000.00	2025-6-17	2026-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	35,000,000.00	2025-6-18	2026-6-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2025-6-18	2026-6-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	4,630,000.00	2025-6-20	2026-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	12,300,000.00	2025-6-23	2026-6-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	9,000,000.00	2025-7-21	2026-7-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	2025-7-30	2026-7-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	8,000,000.00	2025-9-18	2026-9-18	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	35,250,000.00	2025-12-19	2026-12-18	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	35,250,000.00	2025-12-19	2026-12-18	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	940,000,000.00	2018-3-26	2029-3-25	No

X 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.	65,000,000.00	2022-6-17	2025-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2022-6-17	2025-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	58,940,000.00	2024-6-27	2024-12-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2024-6-27	2024-12-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	26,620,000.00	2024-6-28	2024-12-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,000,000.00	2024-6-28	2024-12-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	69,440,000.00	2024-6-28	2024-12-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2024-7-2	2025-1-2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2024-8-14	2025-2-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	274,400,000.00	2016-8-18	2028-3-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,540,260.41	2022-6-29	2030-6-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,970,000.00	2023-3-31	2029-3-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	2023-6-2	2026-6-2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,900,191.21	2023-6-20	2026-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	199,700,000.00	2023-7-12	2029-6-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,700,000.00	2024-4-29	2029-6-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	164,172,110.17	2023-11-8	2029-11-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2024-9-13	2029-3-13	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	44,160,000.00	2024-3-29	2026-3-27	No
Weifang Port Wood Chip Wharf Co., Ltd.	77,895,000.00	2017-12-15	2027-12-20	No
Total	18,597,879,374.99			

X Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(4) Remuneration of key management staff

The Company has 27 key management staff for the period and 23 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	976.09	1,622.15

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	976.09	1,622.15
Of which: (number of staff in each band of amount)		
RMB4.00-4.80 million		
RMB3.60-4.00 million		
RMB3.20-3.60 million		
RMB2.80-3.20 million		
RMB2.40-2.80 million	1	
RMB2.00-2.40 million		2
RMB1.60-2.00 million	1	2
RMB1.20-1.60 million	1	
RMB0.80-1.20 million	1	4
Below RMB0.80 million	23	15

X Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(4) 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	Of which: deferred payment	Social insurance	Of which: Pension insurance	Housing fund	Of which: deferred payment	Total	Of which: deferred payment
Zhang Zhiyuan			3.33						3.33	
Luo Xinhua			3.33						3.33	
Wan Gang			3.33						3.33	
Kong Pengzhi			3.33						3.33	
Yin Meiqun			16.67	8.33					16.67	8.33
Yang Biao			16.67	8.33					16.67	8.33
Sun Jianfei			16.67	8.33					16.67	8.33
Li Zhihui			16.67	8.33					16.67	8.33
Subtotal of independent non-executive Director			80.00	33.32					80.00	33.32
Song Yuchen			3.33						3.33	
Wang Ying			3.33						3.33	
Li Chuanxuan			16.67	8.33					16.67	8.33
Han Tingde			16.67	8.33					16.67	8.33
Subtotal of non-executive Directors			40.00	16.66					40.00	16.66
Jiang Yanshan			6.23	1.78	1.15	0.72	0.29	0.29	7.67	2.07
Li Weixian			154.27	91.31	11.33	7.12	5.34	0.00	170.94	91.31
Liu Peiji			6.19	1.77	1.15	0.72	0.29	0.29	7.63	2.06
Meng Feng			13.70	0.00	1.15	0.72	0.29	0.29	15.14	0.29
Zhu Yanli			7.00	2.01	1.15	0.72	0.29	0.29	8.44	2.30
Hu Changqin			235.58	103.45	10.51	6.53	2.85	0.00	248.94	103.45
Li Xingchun			6.00	0.00	0.00	0.00	0.00	0.00	6.00	0.00
Li Feng			7.43	1.68	6.34	3.96	1.58	0.44	15.35	2.12
Subtotal of executive Directors			436.40	202.00	32.78	20.49	10.93	1.60	480.11	203.60
Subtotal of other Senior Management			327.12	189.43	39.54	24.71	9.32	2.98	375.98	192.41
Total			883.52	441.41	72.32	45.20	20.25	4.58	976.09	445.99

X Financial Report

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(4) Remuneration of key management staff (Continued)

② Breakdown of remuneration of key management staff

Key management staff	Amount during the prior year (RMB'0,000)						Total (RMB'0,000)
	Fees	Bonuses	Salaries, allowances and benefits	Social welfare contribution		Housing fund	
				Social insurance	Of which: Pension insurance		
Yin Meiqun			20				20
Yang Biao			20				20
Sun Jianfei			20				20
Li Zhihui			20				20
Subtotal of independent non-executive Director			80				80
Li Chuanxuan			20				20
Han Tingde			20				20
Subtotal of non-executive Directors			40				40
Chen Hongguo			199.17	6.78	4.32	1.52	207.47
Hu Changqin			159.6	11.31	7.05	3.09	174
Li Xingchun			201				201
Li Weixian			150.46	11.31	7.05	5.29	167.06
Li Feng			84.64	7.24	4.6	1.66	93.54
Subtotal of executive Directors			794.87	36.64	23.02	11.56	843.07
Li Kang			48.05	6.67	4.25	1.52	56.24
Pan Ailing			10				10
Zhang Hong			10				10
Qiu Lanju			46.25	6.84	4.24	1.72	54.81
Sang Ailing			19.16	3.63	2.25	0.85	23.64
Total of Supervisors			133.46	17.14	10.74	4.09	154.69
Subtotal of other Senior Management			452.72	41.67	26.17	10	504.39
Total			1,501.05	95.45	59.93	25.65	1,622.15

- Note: a. Social welfare contribution includes basic pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance.
- b. During the reporting period, the Company fully implemented the requirements of the newly amended Company Law of the People's Republic of China, the Transitional Arrangements for the Implementation of the Supporting Rules of the New Company Law of the China Securities Regulatory Commission, the Guidelines for the Articles of Association of Listed Companies, among others, by revising its corporate governance structure and abolishing the supervisory committee, the functions and powers of which as stipulated under the Company Law of the People's Republic of China being exercised by the Audit Committee of the Board.

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(4) Remuneration of key management staff (Continued)

- ③ The 5 highest paid individuals of the Company during the year included 2 directors of the Company and 3 other senior management personnel. The remuneration range of 3 senior management personnel were RMB1.20-1.60 million, RMB0.80-1.20 million and below RMB0.80 million, respectively, with a total annual salary of RMB2.8926 million (RMB1.6202 million of which was deferred payment), including salaries, allowances and benefits amounting to RMB2.6479 million (RMB1.6058 million of which was deferred payment), social insurance of RMB195,800 (including pension insurance of RMB122,400), and housing provident fund of RMB48,900 (RMB14,400 of which was deferred payment).

A. Remuneration of the five highest paid individuals

Item	Amounts during the period (RMB'0,000)	Amounts during the prior year (RMB'0,000)
Salaries, allowances and benefits	654.64	816.31
Housing provident fund	13.08	11.56
Social welfare contribution	41.42	36.64
Of which: Pension insurance	25.89	23.02
Total	709.14	864.51

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
RMB4.00-4.80 million		
RMB3.20-3.60 million		
RMB2.80-3.20 million		
RMB2.40-2.80 million	1	
RMB2.00-2.40 million		2
RMB1.60-2.00 million	1	2
RMB1.20-1.60 million	1	
RMB0.80-1.20 million	1	1
Below RMB0.80 million	1	

- ④ For the financial year ended 31 December 2025, 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 five 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.

X Financial Report

XIV. Related parties and related party transactions (Continued)

6. Related party accounts receivable and accounts payable

(1) Accounts receivable

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.	1,242,213.20	22,608.28	903,414.15	6,323.90
Accounts receivable	Lide Technology Co., Ltd.			171,451.91	1,200.16
Accounts receivable	Shouguang Chenming Guangyuan Property Management Co., Ltd.	3,051,136.29	345,127.33	870,685.06	6,094.80
Other receivables	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	161,681,854.41	30,010,602.34	238,093,358.44	13,523,702.76
Other receivables	Shouguang Meite Environmental Technology Co., Ltd.	11,939,404.05	10,535,572.35	11,179,201.88	5,603,487.91
Other receivables	Weifang Port Wood Chip Wharf Co., Ltd.	83,230,249.84	41,564,674.85	79,397,749.84	12,131,778.23
Other receivables	Shouguang Chenming Guangyuan Real Property Company Limited			22,000.00	1,100.00
Other receivables	Shanghai Chenxinming Industrial Development Co., Ltd.	300,000.00			
Other receivables	Qingdao Chenming Paper Product Sales Co., Ltd.	257,455.23			
Prepayments	Shouguang Huixin Construction Materials Co., Ltd.	130,816.20			

X Financial Report

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

6. Related party accounts receivable and accounts payable *(Continued)*

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Wuhan Chenming Qianneng Electric Power Co., Ltd.	4,869.10	4,869.10
Accounts payable	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	14,034,825.00	13,921,249.12
Accounts payable	Weifang Xingxing United Chemical Co., Ltd.	26,905,494.34	26,905,494.34
Accounts payable	Weifang Port Wood Chip Wharf Co., Ltd.	16,812,701.25	22,610,306.71
Accounts payable	Shouguang Meite Environmental Technology Co., Ltd.	8,668,875.09	15,292,739.96
Accounts payable	Shouguang Huixin Construction Materials Co., Ltd.		42,929.24
Other payables	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.		5,194,879.89
Other payables	Lide Technology Co., Ltd.		559,897.05
Other payables	Chenming (Qingdao) Asset Management Co., Ltd.	1,806,000.00	
Other payables	Chenming Holdings Co., Ltd.	35,870,656.11	38,500,000.00
Other payables	Weifang Xingxing United Chemical Co., Ltd.	16,860,000.00	16,860,000.00
Other payables	Shouguang Chenming Guangyuan Real Property Company Limited	208,955,749.51	197,714,644.82
Other payables	Shandong Shengming Corporate Management Co., Ltd.	46,156,087.64	
Other payables	Chenming Management and Consulting (Shandong) Co., Ltd.	273,900.00	
Other payables	Shandong Dingkun Asset Management Partnership (Limited Partnership)	171,500.00	
Contract liabilities	Shouguang Chenming Guangyuan Real Property Company Limited	239,618.43	
Contract liabilities	Sunshine OJI (Shouguang) Special Paper Co., Ltd.	119,900.00	

X 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 book balance	Opening book balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	2,777.07	1,891,614.39
Other monetary funds	Guangdong Nanyue Bank Co., Ltd.	2,163,322.52	87,600,000.00

(4) Loans from related parties

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	759,790,000.00	857,890,000.00

XV. Share-based Payment

1. General information of share-based payment

Applicable Not applicable

2. Equity-settled share-based payment

Applicable Not applicable

3. Cash-settled share-based payment

Applicable Not applicable

4. Share-based payment expense for the period

Applicable Not applicable

X 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 in the financial statement	Closing balance	Balance as at the end of the prior year
Commitments in relation to acquisition and construction of long-term assets	303,504,260.20	298,488,760.20

(2) Other commitments

As at 31 December 2025, 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

Unit: RMB

Plaintiff	Defendant	Cause of action	Trial to be heard	Amount of the subject matter	Case status
Plaintiff 1	The Company	Property leasing agreement dispute	Hongkou District People's Court of Shanghai Municipality	93,887,000.00	Second instance appeal against the first instance ruling
Plaintiff 2	The Company	Financial leasing agreement dispute	Tianhe District People's Court of Guangzhou City	65,289,000.00	Pending first instance ruling
Plaintiff 3	The Company	Construction agreement dispute	Minhang District People's Court of Shanghai Municipality	39,998,000.00	Pending first instance ruling
Plaintiff 4	The Company	Construction agreement dispute	Mazhang District People's Court of Zhanjiang City	32,477,000.00	Pending first instance ruling
Plaintiff 5	The Company	Dispute over non-payment of commercial paper upon maturity	Luchuan County People's Court	15,670,000.00	Pending first instance ruling
Plaintiff 6	The Company	Financial leasing agreement dispute	Huangdao District People's Court of Qingdao City	14,835,300.00	Pending first instance ruling
Plaintiff 7	The Company	Dispute over non-payment of commercial paper upon maturity	People's Court of Shouguang City	13,000,000.00	Pending first instance ruling
Plaintiff 8	The Company	Land infringement liability dispute	Qingzhou City People's Court	11,879,000.00	Pending first instance ruling
Total				287,035,300.00	

X Financial Report

XVI. Undertaking and contingency (Continued)

2. Contingency (Continued)

(2) Equity interest subject to freeze

The Company's equity investments in subsidiaries being pledged as a result of overdue debts or financial guarantees are as follows:

Equity interest in entity pledged	Pledgee
Shanghai Chenming Industry Co., Ltd.	Pledgee 1
Shanghai Hongtai Real Estate Co., Ltd.	Pledgee 2
Shanghai Heruiming Property Management Co., Ltd.	Pledgee 3
Shanghai Heruiming Property Management Co., Ltd.	Pledgee 4
Guangdong Huirui Investment Co., Ltd.	Pledgee 5
Guangdong Huirui Investment Co., Ltd.	Pledgee 6
Guangdong Huirui Investment Co., Ltd.	Pledgee 7
Guangdong Huirui Investment Co., Ltd.	Pledgee 8
Hainan Chenming Technology Co., Ltd.	Pledgee 9
Hainan Chenming Technology Co., Ltd.	Pledgee 10
Hainan Chenming Technology Co., Ltd.	Pledgee 11
Yangjiang Chenming Arboriculture Development Co., Ltd.	Pledgee 12
Yangjiang Chenming Arboriculture Development Co., Ltd.	Pledgee 13
Yangjiang Chenming Arboriculture Development Co., Ltd.	Pledgee 14
Zhanjiang Chenming Technology Development Co., Ltd.	Pledgee 15
Zhanjiang Chenming Paper Co., Ltd.	Pledgee 16
Foshan Chenming Import and Export Trade Co., Ltd.	Pledgee 17
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Pledgee 18
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Pledgee 19
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Pledgee 20
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Pledgee 21
Guangdong Chenming Panels Co., Ltd.	Pledgee 22
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Pledgee 23
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Pledgee 24
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Pledgee 25
Shandong Yujing Grand Hotel Co., Ltd.	Pledgee 26
Shandong Yujing Grand Hotel Co., Ltd.	Pledgee 27

As at 31 December 2025, the Company had no other contingencies that should be disclosed.

X Financial Report

XVII. Post-balance sheet event

Unit: RMB

Plaintiff	Defendant	Cause of action	Trial to be heard	Amount of the subject matter	Case status
Plaintiff 1	The Company	Litigation filed by the plaintiff for default on repayment of borrowings	Guangzhou Intermediate People's Court	965,250,800.00	Pending settlement after first instance trial
Plaintiff 2	The Company	Litigation filed by the plaintiff for the non-payment of overdue payment for engineering	Mazhang District People's Court of Zhanjiang City	25,314,500.00	Pending ruling after trial
Plaintiff 3	The Company	Demand of full refund of the deposit paid by the plaintiff as the equity transfer transaction was not completed	Guangzhou Arbitration Commission	16,679,300.00	Pending first instance trial
Total				1,007,244,600.00	

XVIII. Other Material Matters

1. Material debt restructuring

As of 31 December 2025, bank borrowings and financial leasing borrowings of the Company were overdue. To date, agreements on loan extensions and interest rate reductions have been reached with 90 out of 109 financial institutions.

2. 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 100% equity interest in Shandong Shengming Corporate Management Co., Ltd. and the related debts for RMB3,336.3530 million during the period.

X Financial Report

XVIII. Other Material Matters (Continued)

3. Discontinued operation

Unit: RMB

Item	Amount for the period	Amount for the prior period
Revenue from discontinued operations (A)	-636,898,874.17	-40,051,046.70
Less: Termination of operating expenses (B)	150,566,903.32	242,953,206.16
Total profit from discontinued operations (C)	-787,465,777.49	-283,004,252.86
Less: income tax expense for termination of operations (D)	135,762.03	510,529,074.15
Net profit from operating activities (E = C-D)	-787,601,539.52	-793,533,327.01
Asset impairment loss/(reversal) (F)	-2,115,359,300.34	-3,021,529,650.83
Total proceeds from disposal (G)	-1,384,429.42	86,597.83
Disposal of related income tax expenses (H)		
Net profit of disposal (I = G-H)	-1,384,429.42	86,597.83
Net profit from discontinued operations (J = E + F + I)	-2,904,345,269.28	-3,814,976,380.01
Of which: Discontinued operating profit attributable to shareholders of the Parent Company	-2,904,345,269.28	-3,814,976,380.01
Discontinued operating profit attributable to minority shareholders		
Net cash flow from operating activities	956,467.44	267,886,307.14
Net cash flow from investing activities	-2,225,011.42	-94,985.00
Net cash flow from financing activities	-14,305.04	-268,346,738.39

The profit from continuing operations realised in the current period was RMB-6,058,497,700.17, of which the profit from continuing operations attributable to the shareholders of the Parent Company was RMB-5,391,587,133.60. The Company thoroughly divested its financial leasing business to focus on its principal activities.

XVIII. Other Material Matters *(Continued)*

4. 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.

X Financial Report

XVIII. Other Material Matters (Continued)

4. Segment information (Continued)

(2) Financial Information of Reporting Segment

Unit: RMB

Current period or end of the current period	Machine-made paper	Financial services	Hotel and property rentals	Others	Offset	Total
Revenue	6,093,549,372.69	13,783,298.43	153,804,975.05	215,508,513.52	290,095,915.72	6,186,550,243.97
Including: Revenue from external transactions	5,987,245,980.96	6,816,454.86	148,204,363.73	44,283,444.42		6,186,550,243.97
Revenue from inter-segment transactions	106,303,391.73	6,966,843.57	5,600,611.32	171,225,069.10	290,095,915.72	-
Including: Revenue from principal activities	5,932,070,319.68	13,783,298.43	152,219,006.29	116,575,057.25	96,851,034.54	6,117,796,647.11
Operating costs	8,393,006,804.28	65,501,758.69	212,081,419.90	286,259,350.35	354,491,245.81	8,602,358,087.41
Including: Costs of principal activities	8,244,037,143.99	65,501,758.69	212,078,718.34	190,905,411.68	161,238,240.96	8,551,284,791.74
Operating expenses	85,037,516.98	-	18,650,790.78	633,061.72	-	104,321,369.48
Including: Wages	58,280,529.64		6,441,768.67	329,000.71		65,051,299.02
Depreciation expenses	916,993.02		3,681,043.57	-		4,598,036.59
Office expenses	321,622.37		8,173.57	-		329,795.94
Travel expenses	8,725,415.05		1,200.00	107,945.35		8,834,560.40
Selling commissions	-		1,365,896.54	-		1,365,896.54
Rental expenses	3,088,424.30		3,619,033.67	129,359.03		6,836,817.00
Hospitality expenses	7,668,006.25		4,234.05	12,527.00		7,684,767.30
Others	6,036,526.35		3,529,440.71	54,229.63		9,620,196.69
Operating profit/(loss)	-11,717,331,277.88	-1,507,023,065.78	-649,304,687.31	-293,578,683.50	-5,026,070,227.67	-9,141,167,486.80
Total assets	42,556,893,305.68	4,363,734,465.17	7,455,226,833.78	6,517,035,931.90	10,272,741,628.40	50,620,148,908.13
Total liabilities	40,874,255,586.68	2,682,626,572.88	5,806,812,548.98	1,656,023,486.48	3,212,746,110.37	47,806,972,084.65
Additional information:						
1. Capital expenditure						
Including: Total cost of construction in progress incurred for the current period	67,458,583.19					67,458,583.19
Fixed assets purchased	84,788,547.59	163,204.85	6,025,741.72	354,408.42		91,331,902.58
Intangible assets purchased	3,469,012.63				1,282,556.72	2,186,455.91

X Financial Report

VIII. Other Material Matters (Continued)

4. Segment information (Continued)

(2) Financial Information of Reporting Segment (Continued)

Prior period or end of the prior period	Machine-made paper	Financial services	Hotel and property rentals	Others	Offset	Total
Revenue	22,631,951,988.07	294,265,189.14	218,472,144.22	875,895,266.62	1,291,109,735.29	22,729,474,852.76
Including: Revenue from external transactions	22,121,097,000.91	194,122,370.30	195,920,780.92	218,334,700.63		22,729,474,852.76
Revenue from inter-segment transactions	510,854,987.16	100,142,818.84	22,551,363.30	657,560,565.99	1,291,109,735.29	
Including: Revenue from principal activities	22,342,338,732.50	294,265,189.14	216,040,917.16	516,279,443.44	766,889,737.38	22,602,034,544.86
Operating costs	22,142,564,244.40	129,290,999.94	220,948,362.81	954,139,643.19	1,302,114,581.91	22,144,828,668.43
Including: Costs of principal activities	21,817,408,428.61	129,290,999.94	220,061,816.68	604,455,575.82	685,551,497.54	22,085,665,323.51
Operating expenses	211,301,293.09		19,786,226.71	3,500,573.46	-6,583,015.86	241,171,109.12
Including: Wages	125,648,321.41		6,041,820.39	1,228,396.30		132,918,538.10
Depreciation expenses	1,065,408.58		3,675,184.06	2,254.69		4,742,847.33
Office expenses	2,104,193.40		13,620.13	133.82		2,117,947.35
Travel expenses	28,246,818.27		3,097.06	471,289.32		28,721,204.65
Selling commissions	71,407.60		4,546,796.61			4,618,204.21
Rental expenses	6,821,793.52			99,622.63		6,921,416.15
Hospitality expenses	40,762,381.84		29,770.00	84,388.00	-6,583,015.86	47,459,555.70
Others	6,580,968.47		5,475,938.46	1,614,488.70		13,671,395.63
Operating profit/(loss)	-3,938,128,030.75	-2,518,087,175.80	-961,022,745.28	-367,642,543.68	35,854,079.00	-7,820,734,574.51
Total assets	70,105,850,088.46	12,533,349,415.32	8,425,823,090.03	7,499,755,004.88	35,055,482,456.61	63,509,295,142.08
Total liabilities	52,435,567,469.59	3,878,708,512.86	5,238,836,562.08	2,351,979,014.66	13,231,567,042.26	50,673,524,516.93
Total cost of construction in progress incurred for the current period	296,435,087.14		249,532.12			296,684,619.26
Fixed assets purchased	146,444,059.24	903,834.50	55,906,328.10	1,081,819.68		204,336,041.52
Intangible assets purchased						

X Financial Report

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

2. Accounts receivable

(1) Disclosure by ageing

Unit: RMB

Ageing	Closing book balance	Opening book balance
Within 1 year	1,805,177,349.81	240,828,735.48
1 to 2 years	189,054.07	
2 to 3 years		1,500,000.00
Over 3 years	4,502,821.17	3,002,821.17
Subtotal	1,809,869,225.05	245,331,556.65
Less: Bad debt provision	6,808,866.35	4,543,616.41
Total	1,803,060,358.70	240,787,940.24

(2) Disclosure by bad debt provision method

Unit: RMB

Category	Closing balance		Bad debt provision		Carrying amount	Opening balance		Bad debt provision		Carrying amount
	Book balance	Percentage	Amount	Provision percentage		Book balance	Percentage	Amount	Provision percentage	
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Assessed individually for bad debt provision										
Assessed collectively for bad debt provision	1,809,869,225.05	100.00	6,808,866.35	0.38	1,803,060,358.70	245,331,556.65	100.00	4,543,616.41	1.85	240,787,940.24
Including:										
Due from related party customers	1,787,722,899.81	98.78			1,787,722,899.81	225,768,022.18	92.03	5,370.25		225,762,651.93
Due from non-related party customers	22,146,325.24	1.22	6,808,866.35	30.74	15,337,458.89	19,563,534.47	7.97	4,538,246.16	23.20	15,025,288.31

X Financial Report

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

2. 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 debt provision	Provision percentage (%)
Within 1 year	1,787,722,899.81		
Total	1,787,722,899.81		

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

Unit: RMB

Name	Book balance	Closing balance	
		Bad debt provision	Provision percentage (%)
Within 1 year	17,454,450.00	2,249,007.57	12.89
1 to 2 years	189,054.07	57,037.61	30.17
2 to 3 years			
Over 3 years	4,502,821.17	4,502,821.17	100.00
Total	22,146,325.24	6,808,866.35	30.74

Whether the bad debt provision for accounts receivable is made according to the general model of ECLs:

Applicable Not applicable

X Financial Report

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

2. 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 debt provision	4,543,616.41	2,308,126.17	42,876.23			6,808,866.35
Total	4,543,616.41	2,308,126.17	42,876.23			6,808,866.35

(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 RMB1,796,515,443.99 in total, accounting for 99.26% of the total closing balance of accounts receivable and contract assets. The closing balance of the corresponding bad debt provision amounted to RMB6,671,607.57 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	1,167,883,738.67	64.53	
Customer 2	456,303,123.75	25.21	
Customer 3	160,451,531.57	8.87	
Customer 4	7,454,450.00	0.41	2,249,007.57
Customer 5	4,422,600.00	0.24	4,422,600.00
Total	1,796,515,443.99	99.26	6,671,607.57

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable	142,500,000.00	
Other receivables	5,569,475,196.11	8,459,731,199.92
Total	5,711,975,196.11	8,459,731,199.92

X Financial Report

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

2. Other receivables (Continued)

(1) Dividends receivable

Unit: RMB

Investee	Closing book balance	Opening book balance
Shouguang Chenming Art Paper Co., Ltd.	142,500,000.00	
Subtotal	142,500,000.00	
Less: Bad debt provision		
Total	142,500,000.00	

(2) Other receivables

1 Classification of other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	5,700,252,589.33	8,539,141,510.67
Guarantee deposit and deposit	4,314,449.08	820,000.00
Reserve and borrowings	5,189,667.08	13,009,976.80
Others		1,150,970.20
Subtotal	5,709,756,705.49	8,554,122,457.67
Less: Bad debt provision	140,281,509.38	94,391,257.75
Total	5,569,475,196.11	8,459,731,199.92

2) Disclosure by ageing

Unit: RMB

Ageing	Closing book balance	Opening book balance
Within 1 year	4,291,577,401.96	8,439,577,689.53
1 to 2 years	1,311,253,000.77	8,767,733.14
2 to 3 years	6,507,927.37	41,423,849.01
Over 3 years	100,418,375.39	64,353,185.99
Subtotal	5,709,756,705.49	8,554,122,457.67
Less: Bad debt provision	140,281,509.38	94,391,257.75
Total	5,569,475,196.11	8,459,731,199.92

X Financial Report

XIX. 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
Closing bad debt provision at stage 1:

Unit: RMB

Category	Book balance	12-month ECL rate (%)	Bad debt provision	Carrying amount
Bad debt provision assessed collectively	5,646,025,393.15	1.37	77,235,372.56	5,568,790,020.59
Amount due from government agencies	100,054.07	92.00	92,054.07	8,000.00
Amount due from related parties	5,623,849,338.09	1.27	71,588,327.55	5,552,261,010.54
Other receivables	22,076,000.99	25.16	5,554,990.94	16,521,010.05
Total	5,646,025,393.15	1.37	77,235,372.56	5,568,790,020.59

As at the end of the period, the Company did not have interest receivables, dividends receivables and other receivables at stage 2.

Closing bad debt provision at stage 3:

Unit: RMB

Name	Book balance	Lifetime ECL rate (%)	Bad debt provision	Carrying amount
Bad debt provision assessed individually	63,731,312.34	98.92	63,046,136.82	685,175.52
Total	63,731,312.34	98.92	63,046,136.82	685,175.52

Items assessed individually for bad debt provision:

Unit: RMB

Name	Book balance	Lifetime ECL rate (%)	Bad debt provision	Carrying amount	Reason
Customer 1	5,526,048.24	100%	5,526,048.24		Uncertain recovery to a certain extent
Customer 2	4,725,039.89	100%	4,725,039.89		Uncertain recovery to a certain extent
Customer 3	4,019,935.23	100%	4,019,935.23		Uncertain recovery to a certain extent
94 customers including customer 4	49,460,288.98	98.61%	48,775,113.46	685,175.52	Uncertain recovery to a certain extent
Total	63,731,312.34	98.92%	63,046,136.82	685,175.52	

X Financial Report

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

2. Other receivables (Continued)

(1) Other receivables (Continued)

4) Provision, recovery or reversal of bad debt provision for the period

Unit: RMB

Bad debt provision	Stage 1 ECLs for the next 12 months	Stage 2 Lifetime ECLs (not credit- impaired)	Stage 3 Lifetime ECLs (credit- impaired)	Total
Opening balance	26,930,069.45		67,461,188.30	94,391,257.75
Opening balance in the current period				
– Transferred to stage 2				
– Transferred to stage 3				
– Reversed to stage 2				
– Reversed to stage 1				
Provision for the period	50,305,303.11			50,305,303.11
Reversal for the period			4,415,051.48	4,415,051.48
Transfer for the period				
Write-off for the period				
Other changes				
Closing balance	77,235,372.56		63,046,136.82	140,281,509.38

X Financial Report

XIX. 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 RMB4,057,288,816.89 in total, accounting for 71.06% 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	2,262,956,136.67	Within 1 year	39.63	
Customer 2	Open credit	1,161,403,603.22	Within 1 year, 1-2 years	20.34	
Customer 3	Open credit	250,000,000.00	1-2 years	4.38	
Customer 4	Open credit	203,127,563.23	Within 1 year, 1-2 years	3.56	
Customer 5	Open credit	179,801,513.77	Within 1 year, 1-2 years	3.15	
Total		4,057,288,816.89		71.06	

3. Long-term equity investments

Unit: RMB

Item	Closing balance		Book value	Opening balance		Book value
	Book balance	Impairment provision		Book balance	Impairment provision	
Investment in subsidiaries	16,443,510,434.42		16,443,510,434.42	18,327,937,687.22		18,327,937,687.22
Investment in associates	81,676,475.42		81,676,475.42	95,685,951.23		95,685,951.23
Investment in joint ventures	180,168,636.07	5,994,545.96	174,174,090.11	169,543,841.48	5,994,545.96	163,549,295.52
Total	16,705,355,545.91	5,994,545.96	16,699,360,999.95	18,593,167,479.93	5,994,545.96	18,587,172,933.97

X Financial Report

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (carrying amount)	Opening balance of impairment provision	Change for the period			Closing balance (carrying amount)	Closing balance of impairment provision
			Additional contribution	Withdrawn contribution	Impairment provision		
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			1,878,019,452.80		471,980,547.20	
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	
Shandong Yujing Grand Hotel Co., Ltd.	280,500,000.00					280,500,000.00	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,275,000,000.00					5,275,000,000.00	
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00					10,000,000.00	
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80					113,616,063.80	
Shouguang Meilun Paper Co., Ltd.	4,949,441,979.31					4,949,441,979.31	
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)	559,722,323.96					559,722,323.96	
Weifang Chendu Equity Investment Partnership (Limited Partnership)	290,292,885.15					290,292,885.15	
Total	18,327,937,687.22			1,884,427,252.80		16,443,510,434.42	

X Financial Report

XIX. 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 (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	Closing balance (carrying amount)	Closing balance of impairment provision
						Adjustment of other comprehensive income	Other change in equity interest	Others				
I. Associates												
Zuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	27,167,682.31				-2,391,537.09						24,776,145.22	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	135,554,820.00				10,527,197.37						146,082,017.37	
Chenming (Qingdao) Asset Management Co., Ltd.	826,793.21				2,489,134.31						3,315,927.52	
Xuchang Chenming Paper Co., Ltd.		5,994,545.96										5,994,545.96
Subtotal	163,549,295.52	5,994,545.96			10,624,794.59						174,174,090.11	5,994,545.96
II. Joint ventures												
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	8,368,935.72				259,312.75						8,628,248.47	
Weifang Port Wood Chip Wharf Co., Ltd.	87,317,015.51				-14,268,788.56						73,048,226.95	
Subtotal	95,685,951.23				-14,009,475.81						81,676,475.42	
Total	259,235,246.75	5,994,545.96			-3,384,681.22						255,850,565.53	5,994,545.96

Determination of recoverable amount as the net amount of fair value less disposal expenses

Applicable Not applicable

Determination of recoverable amount based on the present value of expected future cash flows

Applicable Not applicable

X Financial Report

XIX. 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	
	Revenue	Costs	Revenue	Costs
Principal activities	181,129,673.65	370,909,366.33	4,647,274,143.27	4,671,882,008.18
Other activities	391,689,453.44	92,571,201.01	2,828,232,639.49	2,448,694,783.65
Total	572,819,127.09	463,480,567.34	7,475,506,782.76	7,120,576,791.83

Breakdown information of operating revenues and operating costs:

Unit: RMB

Category of contract	Machine-made paper		Others		Total	
	Revenue	Operating costs	Revenue	Operating costs	Revenue	Operating costs
Type of business	181,129,673.65	370,909,366.33	391,689,453.44	92,571,201.01	572,819,127.09	463,480,567.34
Including:						
Machine-made paper	178,508,617.82	365,217,109.53			178,508,617.82	365,217,109.53
Others	2,621,055.83	5,692,256.80	391,689,453.44	92,571,201.01	394,310,509.27	98,263,457.81
By geographical area	181,129,673.65	370,909,366.33	391,689,453.44	92,571,201.01	572,819,127.09	463,480,567.34
Including:						
Chinese Mainland	175,088,486.00	366,238,288.21	391,689,453.44	92,571,201.01	566,777,939.44	458,809,489.22
Other countries and regions	6,041,187.65	4,671,078.12			6,041,187.65	4,671,078.12
By the timing of delivery	181,129,673.65	370,909,366.33	391,689,453.44	92,571,201.01	572,819,127.09	463,480,567.34
Including:						
Goods (at a point in time)	181,129,673.65	370,909,366.33	364,112,894.42	76,812,240.96	545,242,568.07	447,721,607.29
Services (within a certain period)			27,576,559.02	15,758,960.05	27,576,559.02	15,758,960.05
By sales channels	181,129,673.65	370,909,366.33	391,689,453.44	92,571,201.01	572,819,127.09	463,480,567.34
Including:						
Distribution	24,351,173.28	214,251,955.52			24,351,173.28	214,251,955.52
Direct sales	156,778,500.37	156,657,410.81	391,689,453.44	92,571,201.01	548,467,953.81	249,228,611.82
Total	181,129,673.65	370,909,366.33	391,689,453.44	92,571,201.01	572,819,127.09	463,480,567.34

X Financial Report

XIX. 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 fulfillment 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	No	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 RMB325,030,098.61, in which RMB325,030,098.61 was expected to be recognised in 2026.

5. Investment income

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the cost method	142,500,000.00	47,000,000.00
Income from long-term equity investments accounted for using the equity method	-3,384,681.22	-132,754,796.54
Investment gain on disposal of long-term equity investments	-6,407,800.00	
Investment gain on derecognition of financial assets		-17,770,062.57
Investment gain on holding other non-current financial assets	1,384,673.77	1,298,463.59
Total	134,092,192.55	-102,226,395.52

X 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)	-602,291,481.76	
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	64,188,680.68	
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	-3,174,128.31	
Reversal of provision for impairment of receivables individually tested for impairment	13,201,496.76	
Profit or loss from debt restructuring	-36,001,298.50	
Profit or loss from changes in the fair value of consumable biological assets subsequently measured at fair value	-135,025,589.35	
Other non-operating income and expenses other than the above items	-50,188,172.61	
Total extraordinary gains or losses	-749,290,493.09	
Less: Effect of income tax of extraordinary gains or losses	8,296,434.22	
Net extraordinary gains or losses	-757,586,927.31	
Less: Net effect of extraordinary gains or losses attributable to minority interest (after tax)	-130,921,063.70	
Extraordinary gains or losses attributable to ordinary shareholders of the Company	-626,665,863.61	

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

X Financial Report

XX. Supplementary information (Continued)

1. Breakdown of extraordinary gains or losses for the current period (Continued)

Item	Amount involved	Reasons
Other income	54,147,545.32	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.

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	-164.83	-2.83	-2.83
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	-152.38	-2.61	-2.61

Basic earnings per share of continued operations and discontinued operations

Calculation of basic earnings per share	Amount for the period	Amount for the prior period
Net profit attributable to ordinary shareholders of the Parent Company	-8,295,932,402.88	-7,410,784,491.65
Of which: net profit attributable to continued operations	-5,391,587,133.60	-3,595,808,111.64
net profit attributable to discontinued operations	-2,904,345,269.28	-3,814,976,380.01
Basic earnings per share	-2.83	-2.53
Of which: basic earnings per share of continued operations	-1.84	-1.23
Basic earnings per share of discontinued operations	-0.99	-1.30

For discontinued operations, please refer to Note XVIII. 3.

X Financial Report

XX. Supplementary information (*Continued*)

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
30 March 2026



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED