

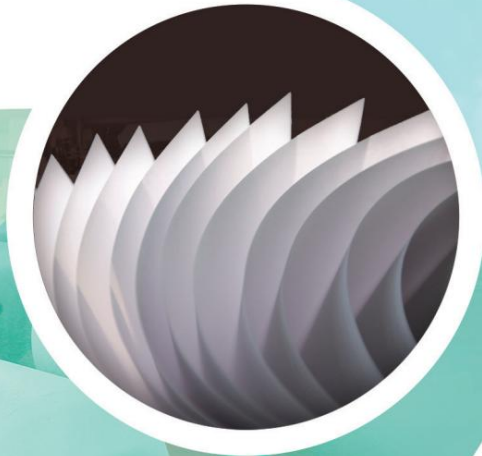


# 山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED\*

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

Stock code: 1812



# 2022

midterm report

## Section Important, catalogs and Interpretation

The company's board of directors, board of supervisors, directors, supervisors, and senior managers guarantee that the content of the semi-annual report is true, accurate, and complete, and there are no false records, misleading statements, or major omissions, and assume individual and joint legal responsibilities.

Chen Hongguo, the person in charge of the company, Dong Lianming, the person in charge of accounting work, and Zhang Bo, the person in charge of the accounting department (accounting officer) declare that they guarantee the authenticity, accuracy and completeness of the financial report in this semi-annual report.

All directors have attended the board meeting for reviewing this report.

The company faces risk factors such as macroeconomic fluctuations, national policy adjustments, and industry competition. Investors are reminded to pay attention to investment risks. For details, please refer to the content about the risks faced by the company and the countermeasures in the Management Discussion and Analysis.

The company plans not to distribute cash dividends, bonus shares, and capitalization of public reserves.

Section Important, catalogs and Interpretation

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## Section Important, catalogs and Interpretation

### Reference file directory

(1) Financial statements bearing the signatures and seals of the person in charge of the company, the person in charge of accounting work, and the person in charge of the accounting department;

(2) The text of the semi-annual report bearing the signature of the legal representative;

(3) The originals of all company documents and announcements publicly disclosed on the website designated by the China Securities Regulatory Commission during the reporting period;

(4) The text of the semi-annual report disclosed on The Stock Exchange of Hong Kong Limited; and

(5) Other relevant materials.



Section Important, catalogs and Interpretation

paraphrase

| paraphrase   | Interpretation content   |
|--|--|
| Company, the Company, Chenming Group, Chenming Paper | Refers to Shandong Chenming Paper Group Co., Ltd. and its subsidiaries   |
| Parent company, Shouguang headquarters               | Refers to Shandong Chenming Paper Group Co., Ltd.  |
| Chenming Holdings                                    | Refers to Chenming Holdings Limited  |
| Shenzhen Stock Exchange                              | Refers to the Shenzhen Stock Exchange  |
| stock exchange                                       | means The Stock Exchange of Hong Kong Limited  |
| Securities Regulatory Commission                     | Refers to the China Securities Regulatory Commission   |
| Shandong Securities Regulatory Bureau                | Refers to the China Securities Regulatory Commission Shandong Regulatory Bureau  |
| Zhanjiang Chenming                                   | Refers to Zhanjiang Chenming Pulp & Paper Co., Ltd.  |
| Jiangxi Chenming                                     | Refers to Jiangxi Chenming Paper Co., Ltd.   |
| Wuhan Chenming                                       | Refers to Wuhan Chenming Hanyang Paper Co., Ltd.   |
| Huanggang Chenming                                   | Refers to Huanggang Chenming Pulp & Paper Co., Ltd.  |
| Hong Kong Chenming                                   | refer to                      Chenming (Hong Kong) Co., Ltd.   |
| Jilin Chenming                                       | Refers to Jilin Chenming Paper Co., Ltd.   |
| Shouguang Meilun                                     | Refers to Shouguang Meilun Paper Co., Ltd.   |
| Chenming Leasing                                     | Refers to Shandong Chenming Financial Leasing Co., Ltd. and its subsidiaries   |
| corporate bonds                                      | refer to                      18 Chen Bond 01  |
| Perpetual bonds                                      | refer to                      17 Lu Chenming MTN001  |
| B to H project                                       | Refers to the conversion of domestically listed foreign shares to the main board of the Stock Exchange of Hong Kong Limited by way of conversion.<br><br>trade |
| This reporting period, the reporting period          | refer to                      January 1, 2022 to June 30, 2022   |
| beginning of the year                                | refer to                      January 1, 2022  |
| end of half year                                     | refer to                      June 30, 2022  |

Section 2 Company Profile and Main Financial Indicators

1. Company Profile

|   |  |  |        |
|---|--|--|--------|
| stock abbreviation  | Chenming Paper   | stock code   | 000488 |
|   | Chenming   |  | 200488 |
| The stock abbreviation of the stock   | B Shenzhen Stock Exchange                                    |  |        |
| exchange where the stock is listed  | Chenming Paper   | stock code   | 01812  |
|   | The Stock Exchange of Hong Kong Limited                      |  |        |
| The stock abbreviation before the change of the stock exchange where the stock is listed (if any) | No Chinese name of the company                               |  |        |
| The Chinese abbreviation of Shandong Chenming Paper Group Co., Ltd. (if any)                      | The foreign language of Chenming Paper Company Name (if any) | Abbreviation of SHANDONG CHENMING PAPER HOLDINGS LIMITED's foreign name (if any) | SCPH's |
| legal representative  | Chen Hongguo   |  |        |

2. Contact person and contact information

| Board Secretary   | Hong Kong company secretary                        |
|---|--|
| Name Yuan Xikun Contact Address                                   | Zhu Hanliang,                                      |
| No. 2199 Nongsheng East Street, Shouguang City, Shandong Province | 22nd Floor, Universal Building, Central, Hong Kong |
| 0536-2158008  | 00852-21629600                                     |
| 0536-2158977  | 00852-25010028                                     |
| Telephone Fax E-mail chenmmingpaper@163.com                       | liamchu@li-partners.com                            |

3. Other situations

1. Company contact information

Whether the company's registered address, company's office address and postal code, company's website, and e-mail address have changed during the reporting period

ÿ Applicable ÿ Not applicable

The company's registered address, company office address and postal code, company website, and e-mail address have not changed during the reporting period. For details, please refer to the 2021 annual report.

2. Information disclosure and preparation location

Whether the location of information disclosure and preparation changed during the reporting period

ÿ Applicable ÿ Not applicable

The name of the newspaper selected by the company for information disclosure, the URL of the website designated by the China Securities Regulatory Commission to publish the semi-annual report, and the place where the company's semi-annual report is prepared have not changed during the reporting period. For details, please refer to the 2021 annual report.

3. Other relevant information

Whether other relevant information has changed during the reporting period

ÿ Applicable ÿ Not applicable

Section 2 Company Profile and Main Financial Indicators

4. Main accounting data and financial indicators

Whether the company needs to retrospectively adjust or restate the previous year's accounting data

Yes No

|  | This reporting period              |                   | last year         |                                     | Increase/Decrease in the  |
|--|------------------------------------|-------------------|-------------------|-------------------------------------|---|
|  |                                    |                   |                   |                                     | reporting period compared with the same period of the previous year |
| Operating income (yuan)  | 16,676,428,365.83                  | 17,172,816,354.53 | 230,141,463.76    |                                     | -2.89%  |
| Net profit attributable to shareholders of the listed company                                      | 2,021,095,417.54                   | 173,407,927.13    | 1,964,718,180.70  |                                     | -88.61%   |
| (yuan) Net profit attributable to shareholders of the listed company after deducting non-recurring | 998,264,209.45                     | 4,747,185,521.94  | 0.064             | 0.604                               | -91.17%   |
| gains and losses (yuan) Net cash flow from operating activities                                    |                                    |                   |                   |                                     | -78.97%   |
| (yuan) Basic earnings per share (yuan) /   |                                    |                   |                   |                                     | -89.40%   |
| share) Diluted earnings per share (yuan/   | 0.064                              |                   | 0.604             |                                     | -89.40%   |
| share) Weighted average return on net assets   | 1.02%                              |                   | 8.94%             | decreased by 7.92 percentage points |   |
|  |                                    |                   |                   |                                     | Increase/Decrease at the end of the                                 |
|  | At the end of the reporting period |                   | end of first year |                                     | reporting period compared with the end of the previous year         |
| Total assets (yuan)  | 85,186,581,045.24                  | 82,841,454,602.24 | 19,220,377,294.74 |                                     | 2.83%   |
| Net assets attributable to shareholders of listed companies (yuan)                                 | 19,089,778,227.64                  |                   |                   |                                     | 0.68%   |

Basic earnings per share, diluted earnings per share, and weighted average return on equity data description:

The net profit attributable to shareholders of listed companies has not deducted the impact of interest accrued during the reporting period of perpetual bonds. When calculating earnings per share and weighted average return on net assets, the accrued interest of perpetual bonds of RMB 44,481,369.86 from January 1, 2022 to June 30, 2022 will be deducted.

Section 2 Company Profile and Main Financial Indicators

V. Differences in accounting data under domestic and foreign accounting standards

1. Differences in net profit and net assets in financial reports disclosed in accordance with both international accounting standards and Chinese accounting standards

☐ Applicable ☐ Not applicable

During the reporting period of the company, there was no difference in net profit and net assets in the financial report disclosed in accordance with the International Accounting Standards and the Chinese Accounting Standards.

2. Differences in net profit and net assets in financial reports disclosed in accordance with both foreign accounting standards and Chinese accounting standards

☐ Applicable ☐ Not applicable

During the reporting period of the company, there was no difference in net profit and net assets in the financial report disclosed in accordance with foreign accounting standards and in accordance with Chinese accounting standards.

6. Non-recurring profit and loss items and amounts

☐ Applicable ☐ Not applicable

unit: yuan

| project  | Amount of money            | illustrate |
|--|----------------------------|------------|
| Profit and loss from disposal of non-current assets (including the write-off part of asset impairment provision)   | -3,921,463.03              |            |
| Government subsidies included in current profit and loss (closely related to the company's normal business operations and in line with national policies |                            |            |
| Except for government subsidies that are continuously enjoyed in accordance with certain standards or quotas)  | 149,264,611.68 -754,806.87 |            |
| In addition to the   |                            |            |
| effective hedging business related to the company's normal business operations, the profit and loss of debt restructuring, the profit                    |                            |            |
| and loss of fair value changes arising from holding transactional financial assets and transactional financial liabilities, and the                      |                            |            |
| disposal of transactional financial assets, transactional financial liabilities and available  | -62,122,863.58             |            |
| Investment income from the sale of financial assets Consumable   | 3,309,448.09               |            |
| biological assets measured at fair value Other non-operating income and  | -3,575,720.23              |            |
| expenses other than the above  | 24,569,100.79 896,568.64   |            |
| items less: Income tax impact on minority shareholders' equity (after tax)   |                            |            |
| total  | 56,733,536.63              | -          |

Section 2 Company Profile and Main Financial Indicators

Specific circumstances of other profit and loss items that meet the definition of non-recurring profit and loss:

☐ Applicable ☐ Not applicable

The company does not have other specific circumstances of profit and loss items that meet the definition of non-recurring profit and loss.

Explanation on the definition of the non-recurring profit and loss items listed in the "Interpretive Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-recurring Profit and Loss" as recurring profit and loss items

☐ Applicable ☐ Not applicable

The company does not define the non-recurring profit and loss items listed in the "Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-recurring Profit and Loss" as recurring profit and loss items.



Section III Management Discussion and Analysis

1. The main business of the company during the reporting period

(1) Industry situation and industry status

The industry in which the company operates is the papermaking and paper products industry. After decades of development, the company has developed into a modern large-scale enterprise group mainly engaged in pulping and papermaking. The main indicators of economic benefits have been leading the industry for more than 20 consecutive years. On the "Fortune" China Top 500 list. For a long time, the company has taken "revitalizing the national paper industry" as its mission, adhered to the concept of green development, unswervingly implemented the pulp and paper integration strategy, and promoted the integrated development of the industrial chain and value chain. In Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places It has 6 production bases with an annual pulp and paper production capacity of more than 11 million tons. It is the first large-scale pulp and paper integrated enterprise in the country to achieve a basic balance between pulping and paper production capacity.

In the first half of 2022, affected by factors such as public health incidents, international political turmoil, and high inflation, commodity prices and international logistics prices have soared, resulting in a sharp increase in the operating costs of paper companies; while in the downstream market, domestic market demand is weak , the role of the price transmission mechanism is difficult to play, the price of machine-made paper is lower than that of the same period last year, and the profit margin of enterprises is squeezed. According to data from the National Bureau of Statistics, the total profit of the papermaking and paper products industry from January to June 2022 was 25.99 billion yuan, a year-on-year decrease of 46.2%. Recently, large pulp companies such as Chile's Arauco announced plans to expand and start production. The tight supply of wood pulp is expected to ease. In addition, global monetary policy has tightened and inflation has declined, and raw material prices are expected to fall. At the same time, with the improvement of domestic epidemic control and national stability The implementation of the growth policy will drive the improvement of domestic demand, the prosperity of the paper industry is expected to gradually recover, and the industry's profitability can be expected to recover.

Although the complex and changeable external environment has increased the "difficulty factor" of enterprise development, the company has stabilized the company's profitability by strengthening internal management, optimizing cost structure, suppressing raw material costs, and seizing overseas markets. During the reporting period, the company achieved an output of 2.58 million tons of machine-made paper, a sales volume of 2.69 million tons, an operating income of RMB 16.676 billion, and a total profit of RMB 275 million.

Section III Management Discussion and Analysis

1. Main business of the company during the reporting period (continued)

(2) Product situation

During the reporting period, the machine-made paper business was the main source of the company's income and profits, and there were no major changes in the main business and business models such as procurement, production, marketing, and R&D. The company's products cover more than 200 varieties in 5 categories and 7 series, as shown in the table below.

| category   | Main brands and varieties   | Scope of application of major production companies |   |
|--|---|--|---|
| Cultural Paper Series 1, "Green Sky", "Cloud Mirror", "Cloud Leopard", "Cloud Brocade"     | Full wood pulp offset paper, electrostatic base                                     | Shouguang  | Printed books, textbooks, magazines, covers, illustrations,             |
|  | paper 2, "Yunshi", "Yunhe" original white offset paper 3,                           | Headquarters                                       | notebooks, test papers, teaching materials, teaching aids, etc.         |
|  | "Yunsong", "Qingsong" light paper 4, blueprint paper,                               | Zhanjiang Chenming                                 |   |
|  | color offset paper, pure paper , non-fluorescent double offset paper, coated double | Wuhan Chenming Jilin Chenming                      |   |
|  | offset paper 5, beige, high white book paper  |  |   |
|  | 6, light coated paper coated paper series 1,  |  |   |
|  | "Snow Shark", "Snow   |  |   |
| Eagle" single-sided coated paper 2, "Snow Shark", "Snow Eagle", "Snow Rabbit" double-sided | copper plate 3, "Snow Eagle", "Snow Rabbit" matte coated paper                      | Shouguang  | Double-sided coated paper is suitable for high-end albums, pictures,    |
|  |   | Headquarters Shouguang Meilun                      | magazines and other printed materials with higher quality               |
|  |   |  | requirements, high-end book inner pages, wall calendars, posters        |
|  |   |  | and other promotional materials, suitable for high-speed sheet-fed      |
|  |   |  | printing and high-speed rotary  |
|  |   |  | printing: single-sided coated paper is suitable for high-end cigarettes |
|  |   |  | Labels, stickers, tote bags, book covers, envelopes, gift wrap,         |
|  |   |  | etc. are suitable for large format printing and commercial printing.    |

Section III Management Discussion and Analysis

1. Main business of the company during the reporting period (continued)

(2) Product information (continued)

| category   | Main brands and varieties  | Scope of application of major production companies |   |
|--|--|--|---|
| White cardboard series 1. "Liya" series of white cards, "Lipin" and "Poplar" series of white cards and copper boards,                      | "Lise" and "White Jade" series of high-bulk white cards and copper boards,                     | Shouguang  | High-end gift boxes, cosmetic boxes, tags, handbags,                  |
|  | "Liyong" and "White Jade" " series ultra-high bulk white cardboard 2, "Liya"                   | Headquarters Jiangxi                               | brochures, high-end postcards; mid-to-high-end cigarette pack         |
|  | and "Liazhil" series food cards 3, coated cow  | Chenming Zhanjiang Chenming                        | printing; milk packs, beverage packs, disposable paper cups,          |
|  | card, Liya book card 4, poker cardboard 5, Chenming  |  | milk tea cups, noodle bowls, etc.                                     |
|  | cigarette card copy paper series "Jinmingyang" ,   |  |   |
| paper, "Mingyang", "Xiangyun", "Boyang", "Shanyin" copy paper, "Gonghao", "Tianjian" copy paper  | "Jinchenming" copy paper,  |  |   |
|  | "Boya", "Biyuntian" copy   |  |   |
|  |  | Shouguang Meilun                                   | Printing and copying, business documents, training materials,         |
| Industrial paper series high-grade yellow anti-adhesive base paper, ordinary yellow/white anti-adhesive Shouguang headquarters base paper, | coated base paper Wuhan Chenming Jiangxi Chenming Zhanjiang Chenming Shouguang Art Paper Wuhan | Zhanjiang Chenming                                 | writing, etc.   |
|  |  |  |   |
|  |  | Chenming   | Anti-adhesive base paper is mainly used to produce release paper or   |
| Specialty paper series thermal paper, glassine paper   |  |  | the base part of anti-adhesive base                                   |
|  |  |  | paper; cast-coated base paper is suitable for producing self-adhesive |
|  |  |  | surface paper or composite playing card                               |
| Household paper series Toilet paper, face tissue, handkerchief paper, napkin paper, hand towel Shouguang Meilun Wuhan Chenming             |  |  | paper after coating. Electronics, medicine, food, washing             |
|  | Paper, "Star Love"   |  | supplies, supermarket labels, double-sided tape and other high-grade  |
|  |  |  | self-adhesive backing   |
|  |  |  | paper. Daily hygiene products; used in catering industries such as    |
|  |  |  | restaurants; used in toilets in public places such as hotels,         |
|  |  |  | guesthouses, and office buildings, and also suitable for families     |
|  |  |  | and other environments.   |

## Section III Management Discussion and Analysis

### 2. Analysis of capital liquidity, financial resources and capital structure disclosed in accordance with the listing rules of the Hong Kong Stock Exchange

As of June 30, 2022, the Group's current ratio was 68.50%, the quick ratio was 58.10%, and the asset-liability ratio was 72.89%.

The capital demand of the Group has no obvious seasonality.

The Group's sources of funds are mainly cash inflows from operating activities, borrowings from financial institutions, public issuance of corporate bonds in the capital market, and inter-bank issuance of medium-term notes.

As of June 30, 2022, the Group's total bank loans amounted to RMB 43.193 billion, corporate bonds amounted to RMB 350 million, and medium-term notes amounted to RMB 1.004 billion (at the end of the previous year, the Group's total bank loans amounted to RMB 41.383 billion, Corporate bonds amounted to RMB 1.426 billion, and medium-term notes amounted to RMB 1.199 billion). As of June 30, 2022, the Group's total monetary funds were RMB 14.959 billion (the figure at the end of the previous year was RMB 14.120 billion) (for details of monetary funds, please refer to the Notes to Section 10, VII. 1 Monetary Funds of this report).

In order to strengthen financial management, the Group has established and improved a strict internal control system in terms of cash and fund management. The liquidity and solvency of the Group are in good condition. As of June 30, 2022, the number of employees in the Group was 11,736, and the total salary of employees in the first half of 2022 was RMB 620,357,400 (the number of employees in the Group in 2021 was 12,296, and the total salary of employees in 2021 was RMB 1,311,733,700).

The company has no major investment projects in the second half of 2022.

The main purpose of the company's existing bank deposits is to prepare funds for production and operation, engineering projects and scientific research and development investment.

As of June 30, 2022, for the assets with restricted ownership of the Group, please refer to Section X, VII, 65 Assets with Restricted Ownership or Right to Use.

For the contingent liabilities that the Group needs to disclose on June 30, 2022, please refer to Section X, VII, 37 Estimated Liabilities of this report.

### 3. Core Competitiveness Analysis

After more than 60 years of innovation and development, the company has created a strong brand influence and cultivated a solid comprehensive competitiveness. Through the construction of the supply chain to promote production capacity upgrades, enhance research and development capabilities, and improve core competitiveness, the details are as follows:

#### 1. Advantages of pulp and paper integration

The company unswervingly implements the strategy of pulp and paper integration. Currently, major production bases such as Shouguang, Zhanjiang, and Huanggang are equipped with chemical pulp production lines. The total production capacity of wood pulp reaches 4.3 million tons. Large paper company. A complete supply chain not only builds a cost advantage for the company, but also ensures the safety, stability, and quality of upstream raw materials, and provides strong support for the company to maintain long-term competitiveness.

Section III Management Discussion and Analysis

3. Core competitiveness analysis (continued)

2. Scale advantage

The paper industry is a typical capital-intensive and technology-intensive industry, following the law of economies of scale. The company has large-scale production bases in South China, Central China, North China, and Northeast China, with an annual pulp and paper production capacity of more than 11 million tons. The reasonable production scale has created the company's marginal cost advantage. At the same time, relying on the advantages of scale, the company has built an international logistics center and supporting special railway lines and terminals, and built a comprehensive logistics service platform such as container transportation, bonded warehousing, transit and station storage, which has realized the improvement of logistics efficiency and Stable logistics cost.

3. Product advantages

The company is an enterprise with the most varieties and complete products in the paper industry. The product series cover cultural paper, white cardboard, coated paper, copy paper, household paper, thermal paper, etc. The market share of the main products is in the forefront of the country. The company insists on being market demand-oriented, through technological innovation and technological process optimization, to help intensive cultivation of products, to continuously increase the added value of products, and to enhance brand value and efficiency.

4. Advantages of industrial layout

The company integrates resources closely around the strategy of pulp and paper integration, roots the production base in the core target market, and promotes the coordinated and joint development of various regions. At present, the company is market-oriented and has 6 production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places. "Win-win" for users.

5. Advantages of technical equipment

The company attaches great importance to the matching and updating of technical equipment, and now has the world's largest pulp and paper production line with the most advanced technology and equipment. The products of manufacturers such as hereby have reached the international advanced level. At present, the company has 3 production lines with a paper width of more than 11 meters, which ensures production efficiency and product quality.

6. Advantages of scientific research and innovation

The company attaches great importance to technology research and development. At present, it has national enterprise technology center, post-doctoral scientific research workstation, nationally recognized CNAS pulp and paper testing center and other scientific research institutions, and has obtained more than 370 national patent authorizations. It is the first in the same industry in the country to pass ISO9001 quality system certification and ISO14001 environmental protection system certification. And FSC-COC international forest system certification. At the same time, the company actively carries out in-depth industry-university-research cooperation with well-known domestic universities and research institutes, continuously improves technological innovation capabilities and scientific research and development levels, and develops a series of new products with high technological content and high added value and the company's proprietary products. technology. The company and its subsidiaries Zhanjiang Chenming, Shouguang Meilun, Jiangxi Chenming, Jilin Chenming, Huanggang Chenming and Wuhan Chenming are all high-tech enterprises.



Section III Management Discussion and Analysis

3. Core competitiveness analysis (continued)

7. Advantages of team management

The company's talent structure is complete, reasonable and experienced, including high-end talents in production, technology, sales, finance, law, etc., with a reasonable professional structure. In the process of business development, the stable core team has formed an internal corporate culture suitable for the company's development, solidified management experience with industry characteristics, formed a team advantage that combines management and culture, and can accurately grasp industry development trends and direction. At the same time, the company attaches great importance to the construction of talent reserve training mechanism. With advanced business philosophy and broad development space, it has attracted a group of high-quality professionals, improved the level of talent echelon construction, and provided a strong guarantee for the company's long-term sustainable development.

8. Advantages of environmental protection management

The company actively implements the concept of "lucid waters and lush mountains are golden mountains and silver mountains", adheres to the development idea of "green development, environmental protection first", always regards environmental protection as a "life project", adheres to the green development model of clean production and resource recycling, and effectively Take up the main responsibility of environmental protection. In recent years, the company and its subsidiaries have invested more than 8 billion yuan in environmental protection, and invested in the construction of pollution control facilities such as alkali recovery system, middle water treatment system, reclaimed water reuse system, white water recovery system, and black liquor comprehensive utilization system. Environmental protection indicators are at the forefront of the country and the world. At present, the company adopts the world's most advanced "ultrafiltration membrane + reverse osmosis membrane" technology to build a reclaimed water reuse membrane treatment project, which is the largest reclaimed water reuse project in the domestic paper industry, with a reclaimed water reuse rate of over 75%. , the recycled water quality meets the drinking water standard, and 170,000 cubic meters of clean water can be saved every day. At the same time, in response to the "dual carbon" policy, the company actively introduced photovoltaic power generation and biomass power generation, continuously optimized the energy structure, and improved the level of low-carbon production.

Section III Management Discussion and Analysis

4. Main business analysis

overview

Please refer to the relevant content in "I. Main businesses engaged in by the company during the reporting period".

Year-on-year changes in major financial data

unit: yuan

|   | This reporting period |                   | Reasons for year-on-year changes in the same period last year   |
|---|-----------------------|-------------------|---|
| operating income                        | 16,676,428,365.83     | 17,172,816,354.53 | -2.89% The main reason is that the sales price of machine-made paper decreased year-on-year during the reporting  |
| Operating cost                          | 14,054,949,279.20     | 11,861,060,977.92 | period. 18.50% The main reason is that the prices of raw materials such as wood chips, raw coal and chemicals increased year-on-year during the reporting period.   |
| Selling Expenses                        | 138,055,763.65        | 147,622,738.74    | -6.48%  |
| Administrative                          | 422,766,365.85        | 492,048,555.49    | -14.08%   |
| Expenses Financial                      | 1,021,034,604.66      | 1,318,942,156.16  | -22.59% The main reason is that the interest expense decreased year-on-year during the reporting period.  |
| Expenses Income Tax Expenses            | 1,378,726.69          | 274,057,779.20    | -99.50% The main reason is that the total profit realized by the company during the reporting period  |
| investment income                       | -24,138,176.90        |                   | decreased year-on-year. 98,631,701.79 -124.47% Mainly due to the year-on-year decrease in income from long-term equity investment accounted for by the equity method during the reporting period and the derecognition of financial assets during the reporting period included in investment |
| Gains from changes in fair value        | -58,813,415.49        | -99,119,691.89    | income. 40.66% The main reason is the impact of Bohai Bank stock fluctuations during the reporting  |
| Net cash flow from operating activities | 998,264,209.45        | 4,747,185,521.94  | period. -78.97% The main reason is that during the reporting period, the prices of raw materials such as wood chips, raw coal and chemicals rose year-on-year, and the cash paid by the company for purchasing goods increased significantly.   |
| Net cash flow from investing activities | -806,624,723.83       | -905,349,346.97   | Net cash flow from 10.90%   |
| financing activities                    | -242,119,047.65       | -3,585,858,074.31 | 93.25% The main reason is that the liabilities due to be repaid during the reporting period decreased year-on-year.   |

Significant changes in the company's profit composition or profit sources during the reporting period

ÿ Applicable ÿ Not applicable

There was no major change in the company's profit structure or profit sources during the reporting period.

Section III Management Discussion and Analysis

4. Main business analysis (continued)

Composition of Operating Income

unit: yuan

|                        | This reporting period | Proportion<br>of Operating Income | last year         | Year-on-year<br>Increase/decrease in the proportion of operating income |
|------------------------|-----------------------|-----------------------------------|-------------------|---|
|                        | Amount of money       |                                   | Amount of money   |   |
| Total operating income | 16,676,428,365.83     | 100%                              | 17,172,816,354.53 | 100%  |
|                        |                       |                                   |                   | -2.89%  |

sector

|                              |                   |        |                   |        |         |
|------------------------------|-------------------|--------|-------------------|--------|---------|
| Mechanism                    | 14,440,493,130.31 | 86.59% | 14,822,885,135.39 | 86.32% | -2.58%  |
|                              | 239,810,290.10    | 1.44%  | 75,966,302.86     | 0.44%  | 215.68% |
| Pulp Electricity and         | 195,203,273.89    | 1.17%  | 133,159,820.59    | 0.78%  | 46.59%  |
| Heat Building                | 128,912,692.24    | 0.77%  | 174,782,023.02    | 1.02%  | -26.24% |
| Materials Hotel and Property | 104,267,757.09    | 0.63%  | 75,025,417.15     | 0.44%  | 38.98%  |
| Rent Financing               | 84,916,541.08     | 0.51%  | 203,237,206.72    | 1.18%  | -58.22% |
| Lease Chemical               | 70,973,693.13     | 0.43%  | 71,994,410.87     | 0.42%  | -1.42%  |
| Supplies Others              | 1,411,850,987.99  | 8.47%  | 1,615,766,037.93  | 9.41%  | -12.62% |

By product

|   |                  |        |                  |        |         |
|---|------------------|--------|------------------|--------|---------|
| White   | 5,228,447,295.27 | 31.35% | 5,031,520,246.65 | 29.30% | 3.91%   |
| cardboard                                     | 3,784,089,225.00 | 22.69% | 3,729,414,241.14 | 21.72% | 1.47%   |
| Double-                                       | 2,191,460,241.65 | 13.14% | 2,407,632,283.00 | 14.02% | -8.98%  |
| adhesive                                      | 1,913,990,734.51 | 11.48% | 1,840,465,965.29 | 10.72% | 3.99%   |
| paper Coated paper                            | 512,600,898.29   | 3.07%  | 572,174,748.36   | 3.33%  | -10.41% |
| Electrostatic                                 | 280,590,566.03   | 1.68%  | 260,673,220.95   | 1.52%  | 7.64%   |
| paper Anti-adhesive                           | 529,314,169.56   | 3.17%  | 981,004,430.00   | 5.71%  | -46.04% |
| base  | 239,810,290.10   | 1.44%  | 75,966,302.86    | 0.44%  | 215.68% |
| paper Thermal paper                           | 195,203,273.89   | 1.17%  | 133,159,820.59   | 0.78%  | 46.59%  |
| Other machine-                                | 128,912,692.24   | 0.77%  | 174,782,023.02   | 1.02%  | -26.24% |
| made pulp Electricity and heat                | 104,267,757.09   | 0.63%  | 75,025,417.15    | 0.44%  | 38.98%  |
| Building materials                            | 84,916,541.08    | 0.51%  | 203,237,206.72   | 1.18%  | -58.22% |
| Hotel and property                            | 70,973,693.13    | 0.43%  | 71,994,410.87    | 0.42%  | -1.42%  |
| rent Financing lease Chemical supplies Others | 1,411,850,987.99 | 8.47%  | 1,615,766,037.93 | 9.41%  | -12.62% |

By region

|                               |                   |        |                   |        |         |
|-------------------------------|-------------------|--------|-------------------|--------|---------|
| Other countries               | 12,792,521,541.65 | 76.71% | 15,414,291,096.68 | 89.76% | -17.01% |
| and regions in Mainland China | 3,883,906,824.18  | 23.29% | 1,758,525,257.85  | 10.24% | 120.86% |

Sub-sales model

|              |                  |        |                   |        |        |
|--------------|------------------|--------|-------------------|--------|--------|
| Distribution | 9,791,607,394.33 | 58.72% | 10,769,034,693.31 | 62.71% | -9.08% |
| direct sales | 6,884,820,971.50 | 41.28% | 6,403,781,661.22  | 37.29% | 7.51%  |

The industry, product or region accounting for more than 10% of the company's operating income or operating profit

ÿ Applicable ÿ Not applicable

Section III Management Discussion and Analysis

4. Main business analysis (continued)

Composition of operating income (continued)

unit: yuan

|                               | operating income  |                   | Operating cost gross margin |        | Operating income increase or                        |         | Increase/decrease in operating costs             |         | Gross profit margin increase                           |         |  |
|-------------------------------|-------------------|-------------------|-----------------------------|--------|---|---------|--|---------|--|---------|--|
|                               |                   |                   |                             |        | decrease compared with the same period of last year |         | compared to the same period of the previous year |         | or decrease compared with the same period of last year |         |  |
| sector                        |                   |                   |                             |        |   |         |  |         |  |         |  |
| machine paper making          | 14,440,493,130.31 | 12,182,198,556.97 |                             | 15.64% |   | -2.58%  |  | 22.87%  |  | -17.47% |  |
| By product                    |                   |                   |                             |        |   |         |  |         |  |         |  |
| White cardboard               | 5,228,447,295.27  | 4,293,503,654.82  |                             | 17.88% |   | 3.91%   |  | 55.33%  |  | -27.18% |  |
| double adhesive               | 3,784,089,225.00  | 3,376,791,343.94  |                             | 10.76% |   | 1.47%   |  | 19.86%  |  | -13.70% |  |
| paper coated                  | 2,191,460,241.65  | 1,790,989,074.30  |                             | 18.27% |   | -8.98%  |  | 17.46%  |  | -18.40% |  |
| paper electrostatic paper     | 1,913,990,734.51  | 1,563,151,783.71  |                             | 18.33% |   | 3.99%   |  | 11.26%  |  | -5.33%  |  |
| By region                     |                   |                   |                             |        |   |         |  |         |  |         |  |
| Other countries               | 12,792,521,541.65 | 10,838,037,361.34 | 3,883,906,824.18            | 15.28% |   | -17.01% |  | 3.81%   |  | -16.99% |  |
| and regions in Mainland China | 3,216,911,917.86  |                   |                             | 17.17% |   | 120.86% |  | 126.34% |  | -2.00%  |  |
| Sub-sales model               |                   |                   |                             |        |   |         |  |         |  |         |  |
| Distribution                  | 9,791,607,394.33  | 8,302,552,500.27  |                             | 15.21% |   | -9.08%  |  | 11.99%  |  | -15.95% |  |
| direct sales                  | 6,884,820,971.50  | 5,752,396,778.93  |                             | 16.45% |   | 7.51%   |  | 29.35%  |  | -14.10% |  |

In the event that the statistical caliber of the company's main business data is adjusted during the reporting period, the company's main business data for the latest period adjusted according to the caliber at the end of the reporting period

ÿ Applicable ÿ Not applicable

Explanation of the reasons for the year-on-year change of more than 30% in relevant data

ÿ Applicable ÿ Not applicable

Revenue from other countries and regions increased by 120.86% compared with the same period last year, mainly due to the improvement of overseas market conditions during the reporting period and a significant increase in orders year-on-year.

Section III Management Discussion and Analysis

V. Analysis of non-main business

• Applicable • Not applicable

6. Analysis of Assets and Liabilities

1. Significant changes in asset composition

unit: yuan

|  | Proportion of total assets |                  | end of last year  |              | Proportion of | Explanation of major changes in proportion increase or decrease   |
|--|----------------------------|------------------|-------------------|--------------|---------------|---|
|  | at the end of the          |                  |                   |              |               |   |
|  | Amount of money            | reporting period | Amount of money   | total assets |               |   |
| Money funds                                    | 14,958,681,361.91          | 17.56%           | 14,119,782,939.66 | 17.04%       |               | 0.52% is mainly due to the year-on-year increase in the company's existing financing guarantee at the end of the reporting                        |
| accounts receivable                            | 3,344,874,025.14           | 3.93%            | 2,656,517,150.46  | 3.21%        |               | period. 0.72% is mainly due to the increase in accounts receivable from customers at the end of   |
| Receivables Financing                          | 912,727,537.75             | 1.07%            | 435,459,341.76    | 0.53%        |               | the reporting period. 0.54% is mainly due to the increase in notes held at the end of the reporting   |
| fixed assets                                   | 34,390,613,468.18          | 40.37%           | 35,653,492,676.15 | 43.04%       |               | period compared with the beginning of the year. -2.67% Mainly due to the relocation of Wuhan Chenming's   |
| Construction in progress                       | 802,407,685.01             | 0.94%            | 197,749,526.05    | 0.24%        |               | equipment during the reporting period. 0.70% is mainly due to the relocation of Wuhan Chenming's equipment and the technical renovation of        |
| short-term loan                                | 36,359,663,944.57          | 42.68%           | 33,523,025,186.22 | 40.47%       |               | Meilun's equipment during the reporting period. 2.21% Mainly due to the increase in guaranteed loans and  |
| Notes payable                                  | 4,035,081,278.85           | 4.74%            | 3,089,512,327.40  | 3.73%        |               | credit loans at the end of the reporting period. 1.01% Mainly because the company increased the proportion of payment for                         |
| Long-term payables for non-current liabilities | 4,558,351,674.18           | 5.35%            | 6,601,311,227.98  | 7.97%        |               | goods in bills during the reporting period. -2.62% Mainly due to the company's repayment of long-term loans and bonds payable due within          |
| due within one year                            | 3,383,399,934.07           | 3.97%            | 2,358,901,022.99  | 2.85%        |               | one year during the reporting period. 1.12% mainly due to the year-on-year increase in finance lease payments at the end of the reporting period. |



Section III Management Discussion and Analysis

6. Analysis of Assets and Liabilities (continued)

2. Main overseas assets

ÿ Applicable ÿ Not applicable

3. Assets and liabilities measured at fair value

ÿ Applicable ÿ Not applicable

unit: yuan

| project  | Profit and loss from changes in |                                  | Accumulated changes in   |  | Current purchase amount | Sales amount in this period | other changes | Ending balance   |
|--|---------------------------------|----------------------------------|--|--|-------------------------|-----------------------------|---------------|------------------|
|  | Opening balance                 | fair value in the current period | fair value included in equity impairment accrued in the current period |  |                         |                             |               |                  |
| 1. Trading financial assets (excluding derivative financial assets) 110,886,182.88 2. Other non-current financial assets 519,927,003.25 3. Consumable biological assets measured at fair value |                                 | -59,853,131.31 -144,851,765.58   | 57,510,000.00  |  |                         |                             |               | 51,033,051.57    |
| 1,519,305,850.77   |                                 | 3,309,448.09                     | 27,587,382.40  |  | 23,333,133.59           | 45,408,287.98               |               | 1,500,540,144.47 |

Whether there have been major changes in the measurement attributes of the company's main assets during the reporting period

ÿ Yes ÿ No

4. Restrictions on asset rights as of the end of the reporting period

unit: yuan

| project                 | Reasons for the limitation of the book value at the end of the period   |
|-------------------------|---|
| Monetary Fund           | 11,749,299,176.80 As bank acceptance bills, deposits for letters of credit and deposit reserves, etc.                           |
| Receivables Financing   | 10,925,711.40 As pledges for obtaining letters of guarantee and letters of credit 250,000,000.00 As pledges for obtaining loans |
| Accounts Receivable     | 12,634,559,687.51 As collaterals for bank loans and long-term payables  |
| Fixed Assets            | 1,184,321,483.40 as a bank loan, Long-term payable collateral   |
| Intangible Assets Total | 4,964,639,998.32 as collateral for bank loans   |
| Investment Real Estate  | 30,793,746,057.43   |

7. Analysis of Investment Status

1. Overall situation

ÿ Applicable ÿ Not applicable

| Investment amount during the reporting period (yuan) | Investment amount in the same period of last year (yuan) | range of change |
|--|--|-----------------|
| 10,000,000.00  | 882,210,000.00   | -98.87%         |

Section III Management Discussion and Analysis

7. Analysis of investment status (continued)

2. Major equity investment acquired during the reporting period

ÿ Applicable ÿ Not applicable

unit: yuan

|                       |                 |                   |                   |                             |             |         |                 | Progress as                        |            |  |               |                |
|-----------------------|-----------------|-------------------|-------------------|-----------------------------|-------------|---------|-----------------|------------------------------------|------------|--|---------------|----------------|
|                       |                 |                   |                   |                             |             |         |                 | of balance                         | Estimated  |  | Disclosure    | Disclosure     |
| Invested company name | Main business   | Investment method | Investment Amount | Shareholding Ratio          | Fund Source | Partner | Investment Term | Product Type                       | sheet date | Income Whether the investment profit or loss in the current period is involved in litigation | date (if any) | index (if any) |
|                       |                 |                   |                   |                             |             |         |                 |                                    |            |  |               |                |
| Jiangxi Chenming Tea  | Tea cultivation | New 10,000,000.00 |                   | 100% self-funded subsidiary |             |         | long            | Production and sales               | Finish     | Not Applicable - 1,468,863.22  | No            |                |
| Industry Co., Ltd.    | and sales       |                   |                   |                             |             |         |                 | operation and maintenance products |            |  |               |                |

3. Significant non-equity investments in progress during the reporting period

ÿ Applicable ÿ Not applicable

4. Financial asset investment

(1) Securities investment

ÿ Applicable ÿ Not applicable

unit: yuan

| Securities  | Securities code | Securities abbreviation | Initial investment cost | Accounting measurement model | Opening book value | Profit and loss from changes in fair value in the current period | Accumulated fair         |                       | In current period Purchase amount | Sales amount   | Reporting period Profit and loss | Book value at the end of the period | Accounting Items | Source of funds |
|---|-----------------|-------------------------|-------------------------|------------------------------|--------------------|--|--------------------------|-----------------------|-----------------------------------|----------------|----------------------------------|-------------------------------------|------------------|-----------------|
|   |                 |                         |                         |                              |                    |  | price included in equity | Purchase value change |                                   |                |                                  |                                     |                  |                 |
| Domestic and foreign stocks   | 00668           | Bohai Bank              | 195,684,817.15          | Fair value measurement       | 110,886,182.88     | -59,853,131.31   | -144,651,765.58          | 0.00                  | 0.00                              | -59,853,131.31 | 51,033,051.57                    | Trading financial assets            | own funds        |                 |
| Total   |                 |                         | 195,684,817.15          | -                            | 110,886,182.88     | -59,853,131.31   | -144,651,765.58          | 0.00                  | June 20, 2020                     | N/A            | 0.00                             | -59,853,131.31                      | 51,033,051.57    | -               |
| Securities Investment Approval Board Announcement Disclosure Date                         |                 |                         |                         |                              |                    |  |                          |                       |                                   |                |                                  |                                     |                  |                 |
| Securities Investment Approval Shareholders Meeting Announcement Disclosure Date (if any) |                 |                         |                         |                              |                    |  |                          |                       |                                   |                |                                  |                                     |                  |                 |

(2) Investment in derivatives

ÿ Applicable ÿ Not applicable

There was no derivative investment in the reporting period of the company.

5. Use of raised funds

ÿ Applicable ÿ Not applicable

The company had no use of raised funds in the reporting period.

Section III Management Discussion and Analysis

8. Sales of major assets and equity interests

1. Sale of major assets

Applicable Not applicable

2. Sale of major equity interests

Applicable Not applicable

9. Analysis of main controlling and shareholding companies

Applicable Not applicable

Main subsidiaries and shareholding companies that affect the company's net profit by more than 10%

unit: yuan

| Company Name   | Company Type Main Business | registered capital | Total assets      | Net assets       | operating income | operating profit | net profit     |
|--|----------------------------|--------------------|-------------------|------------------|------------------|------------------|----------------|
| Production and sales of offset paper, electrostatic paper, white cardboard, etc., a subsidiary of Zhanjiang Chenming Pulp & Paper Co.,     |                            | 5,765,833,333.00   | 28,464,228,927.79 | 8,685,900,409.62 | 5,841,511,419.81 | 193,779,599.63   | 181,827,121.84 |
|  |                            |                    |                   |                  |                  |                  |                |
| Ltd. Production and sales of coated paper, cultural paper, household paper, and chemical pulp, a subsidiary of Shouguang Meilun Paper Co., |                            | 4,801,045,519.00   | 16,433,184,621.65 | 8,422,340,984.80 | 3,956,822,454.56 | 111,605,218.12   | 114,261,960.45 |
|  |                            |                    |                   |                  |                  |                  |                |
| Ltd. Huanggangchen Production and sales of chemical pulp, a subsidiary of Naruto Pulp & Paper Co., Ltd.                                    |                            | 2,850,000,000.00   | 7,599,389,040.76  | 3,370,012,386.77 | 1,492,106,761.28 | 90,133,357.64    | 86,400,500.60  |

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

| Company Name | The impact of acquisition and disposal of subsidiaries during the reporting period on the overall production, operation and performance |
|--------------|---|
|--------------|---|

|   |   |
|---|---|
| Jiangxi Chenming Tea Industry Co., Ltd. was newly established. Qingdao Chenming Pulp and Paper Electronic | Affected net profit decreased by 1.47 million yuan. |
| Commodity Spot Trading Center Co., Ltd. was cancelled.  | Affected net profit increased by 6,800 yuan.        |

Explanation of the main holding and shareholding companies

1. Both Zhanjiang Chenming and Shouguang Meilun are production subsidiaries with a high matching degree of pulp and paper. The integration of pulp and paper brings obvious cost advantages and strong profitability.
2. During the reporting period, the pulp price remained at a relatively high level, and Huanggang Chenming's profitability was prominent.

Section III Management Discussion and Analysis

X. Structured entities controlled by the company

y Applicable
 y Not applicable

11. Risks faced by the company and countermeasures

1. Macroeconomic Policy Risks

As a basic raw material industry, the paper industry is supported by various national industrial policies, and its industry prosperity is closely related to the national macroeconomic policies. In order to optimize the industrial structure, improve the technical level of products, save energy and reduce emissions, and eliminate backward production capacity, relevant departments have promulgated the "Paper Industry Development Policy" to promote the high-quality development of the paper industry. If the support of relevant national industrial policies weakens in the future or the above-mentioned industrial policies, fiscal, financial, taxation, import and export policies and other economic policies are adjusted, it will have an impact on the company's operation and development.

The company pays timely attention to various policies and regulations of relevant national industries, and actively adjusts its business development strategy in a timely manner according to the policy orientation; at the same time, it focuses on the development of the main pulp and paper industry, adheres to the innovation-driven strategy, comprehensively optimizes the industrial structure and regional layout, and ensures the development of the main business. Comply with the requirements of industrial policies, achieve steady improvement in operating performance; strengthen the construction of financial information systems, standardize financial management, broaden financing channels, reduce capital costs, and enhance the ability to resist macroeconomic policy risks.

2. Environmental risks

The paper industry is a heavy polluting industry listed by the Ministry of Environmental Protection. As my country's ecological civilization construction has entered a critical period of focusing on carbon reduction, promoting the synergy of pollution reduction and carbon reduction, promoting the comprehensive green transformation of economic and social development, and realizing the improvement of ecological environment quality from quantitative change to qualitative change, relevant departments have successively formulated and issued "Guiding Opinions on Accelerating the Establishment and Improvement of a Green, Low-Carbon, and Circular Development Economic System", "Announcement on Adjusting the Catalog of Prohibited Commodities in Processing Trade", "The 14th Five-Year Plan for National Cleaner Production Implementation Plan", "Implementation of Carbon Peaking in Industrial Fields" Plan" and other series of systems, environmental protection requirements are becoming increasingly stringent. With the improvement of national environmental protection standards, the company's investment in pollution control has further increased, which will increase the company's operating costs in the short term.

The company has always been adhering to the development idea of "green development, environmental protection first", widely adopts new technologies for energy conservation and emission reduction, fully implements clean production, and effectively ensures that the company's waste discharge meets standards. In recent years, the company has invested a total of 8 billion yuan in the construction of supporting projects such as alkali recovery, mid-section water, and reclaimed water reuse, and has carried out comprehensive environmental protection management by closely relying on technological innovation. At present, the company adopts the world's most advanced "ultrafiltration membrane + reverse osmosis membrane" technology, and has built a reclaimed water reuse membrane treatment project. The reclaimed water reuse rate has reached more than 75%, and the reused water quality has reached drinking water standards. At the same time, the company actively explores the comprehensive utilization of innovative resources and the industrial circular development model, and builds three circular economic ecological chains of "resources-products-renewable resources" to further improve the company's green level.

Section III Management Discussion and Analysis

XI. Risks faced by the company and countermeasures (continued)

3. Raw material price fluctuation risk

The main raw materials of the industry are wood pulp and wood chips. If the prices of wood pulp and wood chips fluctuate sharply in the future, it will put upward pressure on the production costs of enterprises and have a certain impact on the normal production and operation of enterprises in the industry.

The company firmly implements the strategy of pulp and paper integration. The current wood pulp production capacity has reached 4.3 million tons, and it has cultivated strong wood pulp self-sufficiency. At the same time, the company has established a relatively complete supply chain management mechanism, implemented source procurement, reduced procurement costs, and continued to improve production technology, increase the utilization rate of raw materials, and optimize operating efficiency to reduce the impact of raw material price fluctuations on the enterprise. risk.

4. The risk of intensified market competition

As a strategic basic industry closely related to the national economy, the paper industry continues to mature along with the steady development of the Chinese economy. Although after several rounds of environmental protection policies, the elimination of outdated production capacity has been accelerated, and the structure of the paper industry has been optimized. However, the situation of large number of enterprises, overcapacity and dispersion, the majority of low-end products, and product homogeneity still exists. In addition, the technological innovation of the paper industry Faster, the replacement of related products is faster, and the market competition is fierce.

The company actively studies the development trend of the industry, grasps the market dynamics in a timely and correct manner, reduces production costs by adjusting and optimizing the process flow, and increases production and efficiency; adheres to market orientation, enhances R&D and innovation capabilities, produces products that meet market demand, and enriches products Types and application areas; improve the business level of sales staff, broaden sales channels, strengthen business cooperation with customers, do a good job in customer service in an all-round way, and increase market share.

5. Financial leasing business risk

If the lessee of the financial leasing business fails to pay the rent in full and in time due to various reasons, there is a predatory use of equipment or other short-term behavior, which may cause losses to the company. Although the risk that the rent cannot be recovered is very small, and the company will also make provision for bad debts in accordance with the accounting policy requirements, if the amount cannot be recovered in time, it may bring bad debt risks to the company.

Chenming Leasing has comprehensive risk prevention and control measures for financial leasing business, with strong anti-risk ability and low default risk. Currently, Chenming Leasing continues to implement the business strategy of continuous compression to effectively control risks.



Section 4 Corporate Governance

1. Relevant information on the annual general meeting and extraordinary general meeting held during the reporting period

1. The general meeting of shareholders during the reporting period

| Session                                  | meeting type                  | Investor            |                  | disclosure date | Meeting Decision         |
|--|-------------------------------|---------------------|------------------|-----------------|--------------------------|
|  |                               | Participation Ratio | Convocation Date |                 |                          |
| 2021 Annual General Meeting              | Annual General Meeting        | 20.22%              | May 11, 2022     | May 12, 2022    | http://www.cninfo.com.cn |
| 2022 First Extraordinary General Meeting | Extraordinary General Meeting | 19.81%              | June 15, 2022    | June 16, 2022   | http://www.cninfo.com.cn |

2. Preference shareholders whose voting rights have been restored request to convene an extraordinary general meeting

☐ Applicable ☐ Not applicable

2. Changes of Directors, Supervisors and Senior Management of the Company

☐ Applicable ☐ Not applicable

| The type of position held by the name  | date | reason |
|--|------|--------|
| Chen Hongguo, chairman and general manager, was appointed on June 15, 2022. After the first meeting of the tenth board of directors of the company, he was appointed as the general manager of the company. Li Weixian, director and deputy general manager, was elected. Election on June 15, 2022 The company's board of directors re-elected Li Feng, director and deputy general manager, was appointed on June 15, 2022, and was appointed as the company's deputy general manager by the first meeting of the company's tenth board of directors. Li Mingtang, deputy general manager, was appointed in June 2022 On the 15th, the first meeting of the tenth board of directors of the company was appointed as the deputy general manager of the company. Ge Guangming was appointed as the deputy general manager. Resignation on June 15, 2022 Resignation upon expiration of term of office |      |        |

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

☐ Applicable ☐ Not applicable

The company plans not to distribute cash dividends, bonus shares, or transfer of common reserve funds into share capital for half a year.

## Section 4 Corporate Governance

### 4. The implementation of the company's equity incentive plan, employee stock ownership plan or other employee incentive measures

☐ Applicable ☐ Not applicable

#### 1. Equity incentives

On March 30, 2020, the Ninth Extraordinary Meeting of the Ninth Board of Directors of the company reviewed and approved the "Proposal on <Shandong Chenming Paper Group Co., Ltd. 2020 Restricted Stock Incentive Plan (Draft)> and its summary" etc. Proposal; on the same day, the fourth interim meeting of the company's ninth board of supervisors reviewed and approved the above proposal and verified the list of proposed incentive targets for this incentive plan. The company's independent directors expressed independent opinions on this incentive plan.

On April 3, 2020, the company announced the list of incentive objects through the company's internal website. The announcement time was from April 3, 2020 to April 12, 2020. Receive any objection raised by anyone to the proposed incentive object. The board of supervisors checked the list of incentive objects to be awarded under the incentive plan.

On May 15, 2020, the company's 2020 Second Extraordinary General Meeting of Shareholders, the 2020 First Domestic Listed Shareholders' Class Meeting, and the 2020 First Overseas Listed Shareholders' Class Meeting reviewed and approved the "About Shandong Chenming Paper Group Co., Ltd.'s 2020 Restricted Stock Incentive Plan (Draft) > and its summary" and other proposals, and on May 16, 2020 disclosed the "Insider Information on the 2020 A Share Restricted Stock Incentive Plan" Self-inspection Report on the Trading of the Company's Stocks by the Incentives and Incentive Objects".

On May 29, 2020, the company's 10th interim meeting of the ninth board of directors and the fifth interim meeting of the ninth board of supervisors reviewed and approved the "Proposal on Adjusting the Company's 2020 A-Share Restricted Stock Incentive Plan", " Regarding the Proposal on Granting Restricted Stocks to Incentive Objects", it is agreed to grant 79,600,000 A-share restricted stocks to 111 incentive objects at a price of 2.85 yuan per share, and the grant date is May 29, 2020.

On July 15, 2020, 79,600,000 A-share restricted stocks granted to incentive objects were issued and listed.

#### 2. Implementation of employee stock ownership plan

☐ Applicable ☐ Not applicable

#### 3. Other employee incentives

☐ Applicable ☐ Not applicable

## V. Disclosure according to the Hong Kong Listing Rules announced by The Stock Exchange of Hong Kong Limited

### (1) Compliance with the "Corporate Governance Code"

The company maintains a high level of corporate governance practices through various internal controls, and the board of directors will review corporate governance practices from time to time to improve the company's corporate governance standards. During the reporting period, the Company complied with the principles and code provisions in the "Corporate Governance Code" set out in Appendix 14 of the Hong Kong Listing Rules.

### (2) Securities trading activities of directors

The directors of the company confirm that the company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix 10 of the Hong Kong Listing Rules. After full consultation with all directors of the company, the company has not received any information that reasonably shows that the directors did not comply with the standards stipulated in the code during the reporting period.

Section 5 Environmental and Social Responsibility

1. Major environmental issues

Whether the listed company and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

Yes No

| Company or Subsidiary Name                  | Names of main pollutants and characteristic pollutants |                            | Number of discharge outlets Distribution of discharge outlets   | Emission concentration   | Pollutant   | Emission Standards Executed | total emissions | Approved        |                     |
|---|--|----------------------------|---|--|---|-----------------------------|-----------------|-----------------|---------------------|
|   | Emission method  |                            |   |  |   |                             |                 | Total Emissions | Excessive emissions |
| Shandong Chenming Paper Group Co., Ltd. SO2 | organized emissions                                    | 2 Chenming Industrial Park | Power Plant No. 1: 9.51 mg/m3 Power Plant No. 2: 8.77 mg/m3 Power Plant   | 35mg/m3  | Power Plant No. 1: 7.89 tons Power Plant No. 2: 8.01 tons   | 180.32 tons/year None       |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
|   | NOx  | 2 Chenming Industrial Park | No. 1: 39.1 mg /m3 Power Plant No. 2: 40.3 mg/m3 Power Plant No. 1:   | 50mg/m3  | Power Plant No. 1: 33.2 tons Power Plant No. 2: 37.3 tons   | 233.91 tons/year None       |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
|   | particulates   | 2 Chenming Industrial Park | 0.344 mg/m3 Power Plant No. 2: 0.707 mg/m3 First pollution Discharge outlet:  | 5mg/m3 Power Plant No. 1: 0.283 tons : 852 tons 30mg/L           | Primary sewage discharge outlet:  | 23.39 tons/year None        |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
| Shougang Mulin Paper Co., Ltd. SO2          | indirect emissions                                     | 2 Chenming Industrial Park | 182mg/L Second sewage discharge outlet: 164mg/L Primary sewage  | 300mg/L  | 31.4 tons Second sewage discharge outlet: 5.93 tons   | 6,510.74 tons/year None     |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
|   | indirect emissions                                     | 2 Chenming Industrial Park | discharge outlet: 7.26mg/L Second sewage discharge outlet: 1.14mg/L   |  |   | 650.7 tons/year None        |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
|   | organized emissions                                    | 4 Chenming Industrial Park | Power Plant No. 1: 10.2mg/m3 Power Plant No. 2: 10.5mg/m3 Alkali Recovery: 2.24mg/m3 Lime Kiln: 5.74mg/m3 Power Plant No. 1:        | 35mg/m (self-provided power plant), 50mg/m (chemical pulp mill)  | Power plant No. 1: 13.9 tons Power plant No. 2: 10.1 tons Alkali recovery: 10.6 tons Lime kiln: 4.35 tons Power | 342.89 tons/year None       |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
| Shougang Mulin Paper Co., Ltd. NOx          | organized emissions                                    | 4 Chenming Industrial Park | 30.6mg/m3 Power Plant No. 2: 31.8mg/m3 Alkali Recovery: 77mg /m3 Lime Kiln: 32.3mg/m3 Power Plant No. 1: 0.432mg/m3 Power Plant No. | 50mg/m (self-provided power plant), 100mg/m (chemical pulp mill) | plant No. 1: 40.1 tons Power plant No. 2: 30.6 tons Alkali recovery: 365 tons Power Plant No. 2: 0.946 tons     | 1,202.75 tons/year None     |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
|   | particulates   | 4 Chenming Industrial Park | 2: 0.989mg/m3 Alkali Recovery: 0.655mg/m3 Lime Kiln: 0.413mg/m3   | 5mg/m (self-provided power plant), 10mg/m (chemical pulp mill)   | Alkali recovery: 3.03 tons Lime kiln: 0.35 tons   | 121.979 tons/year None      |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |
|   |  |                            |   |  |   |                             |                 |                 |                     |

Section 5 Environmental and Social Responsibility

1. Major environmental issues (continued)

| Names of main                              |                           |   |   |   |  |                 |                  |                     |
|--|---------------------------|---|---|---|--|-----------------|------------------|---------------------|
|  | pollutants and            |   | Number of   |   | Pollutant  | Approved        |                  |                     |
| Company or Subsidiary Name                 | characteristic pollutants | Emission method   | discharge outlets Distribution of discharge outlets | emission concentration  | Emission Standards Executed                        | total emissions | Total Emissions  | Excessive emissions |
| Wuhan Chenming Hanyang Paper Co., Ltd. SO2 |                           | organized emissions   | 2 inside the dry energy thermal power plant         | 130T/h furnace: 3.25mg/m3 75T/h furnace: 7.36mg/m3 130T/h furnace:                                      | 50mg/m3  | 1.44381 tons    | 102.58 tons/year | None                |
|  | NOx                       | organized emissions   | 2 inside the dry energy thermal power plant         | 55.13mg/m3 75T/h furnace: 46.15mg /m3 130T/h furnace: 1.57mg/m3 75T/h                                   | 100mg/m3   | 14.8345 tons    | 205.16 tons/year | None                |
|  | particulates              | organized emissions   | 2 inside the dry energy thermal power plant         | furnace: 5.18mg/m3 40.16mg/L 1.812mg/L  | 20mg/m3  | 0.89747 tons    | 41.032 tons/year | None                |
|  | COD                       | direct discharge  | 1 Wastewater main outlet 1                          |   | 80mg/L 8mg/L                                       | 28.67 tons      | 194.3 tons/year  | none 17.3 tons/year |
|  |                           | direct discharge  | Wastewater main outlet                              |   | L  | 0.44 tons       | none             |                     |
| Jiangxi Chenming Paper Co., Ltd.           | SO2                       | Organized Emissions   | 1 thermal power plant                               | 240T/h furnace: 11.6049mg/m3 240T/h furnace:  | 200mg/m3 200mg/L                                   | 23.7425 tons    | 806 tons/year    | 806 tons/year 135   |
|  | NOx                       | Organized Emissions   | 1 thermal power plant                               | 57.7725mg/m3 240T/h furnace: 6.3513mg/m3  | m3 30mg/m3   | 33.9278 tons    | tons/year        | 1,260 tons/year 112 |
|  | particulate matter        | Organized Emissions   | 1 thermal power plant                               | 44.75mg/L 1.74mg/L  | 90mg/L 8mg/L                                       | 11.0874 tons    | tons/year        |                     |
|  | COD                       | Direct Emissions  | 1 main sewage outlet 1 main                         |   |  | 83.3817 tons    |                  |                     |
|  |                           | Direct Emissions  | sewage outlet                                       |   |  | 2.118 tons      |                  |                     |
| Jilin Chenming Paper Co., Ltd.             | SO2                       | Organized discharge(2 use and 1 backup) Organized discharge(3 in    |   | 4.38mg/m3 27.92mg/L   | 100mg/m3 100mg/L                                   | 2.10 tons       | 97 tons/year     | 213 tons/year       |
|  | NOx                       | the factory area (2 use and 1 backup) Organized discharge(3 in the  |   | m3 7.28mg/m3  | m3 30mg/m3   | 12.69 tons      | 51.66 tons/year  | 6,000 tons/year     |
|  | particulate matter        | factory area (2 use and 1 backup) Indirect discharge in the factory |   | 129.45mg/L 1.82mg/L   | 500mg/L 45mg/L                                     | 2.77 tons       | 500 tons/year    |                     |
|  | COD                       | area1 Indirect discharge1 Main sewage outlet                        |   | L   | L  | 279.16 tons     |                  |                     |
|  |                           |   |   |   |  | 3.99 tons       |                  |                     |
| Zhangjiag Chenming Pulp & Paper Co., Ltd.  | SO2                       | organized emissions   | 5 inside the factory area                           | Power Plant 1# 5.834mg/m3 Power Plant 2# 6.338mg/m3 Power Plant 3# 3.669mg/m3 Power Plant 4# 8.956mg/m3 | 152#344# Circulating fluidized bed boiler: 35mg/m3 | 26.435 tons     | 620 tons/year    | None                |
|  |                           |   |   |   |  |                 |                  |                     |
|  |                           |   |   |   |  |                 |                  |                     |
|  |                           |   |   |   |  |                 |                  |                     |

Section 5 Environmental and Social Responsibility

1. Major environmental issues (continued)

| Company or Subsidiary Name                | Names of main pollutants and |                     | Number of                   | Pollutant   |  | Approved                    |                   | Excessive emissions |                 |
|---|------------------------------|---------------------|-----------------------------|---|--|-----------------------------|-------------------|---------------------|-----------------|
|   | characteristic pollutants    | Emission method     |                             | discharge outlets Distribution of discharge outlets   | emission concentration   | Emission Standards Executed | total emissions   |                     | Total Emissions |
| Huanggang Chemical Pulp & Paper Co., Ltd. | NOx                          | organized emissions | 5 inside the factory area   | Actual recovery: 125.546mg/m3 Power Plant<br><br>1# 10.244mg/m3 Power Plant 2#:<br><br>11.74mg/m3 Power Plant 3# 9.852mg/<br><br>m3 Power Plant 4# 4.206mg/m3 Power<br><br>Plant 1# 1.952mg/m3 Power Plant 2# : | Actual recovery: 200mg/m3<br><br>1#2#3#4# Circulating fluidized bed<br><br>boiler: 50mg/m3 | 600.254 tons                | 2,169.7 tons/year | None                |                 |
|   | particulates                 | organized emissions | 5 inside the factory area   | 1.461mg/m3 Power Plant 3# 1.228mg/<br><br>m3 Power Plant 4# 1.471mg/m3<br><br>37.83mg/L 1.43mg/L 5.11mg/L   | 1#2#3#4# Circulating fluidized bed<br><br>boiler: 10mg/m3                                  | 8,117 tons                  | 195.06 tons/year  | None                |                 |
|   | COD                          | direct discharge    | 1 in the factory area       | 1 in  | 90mg/L 8mg/  | 382.492 tons                | 1,943 tons/year   | 43.9 tons/year      | 320.4           |
|   | Ammonia                      | direct discharge    | the factory area            | 1 in the  | L 12mg/L   | 13.675 tons                 | tons/year         |                     |                 |
|   | total nitrogen               | direct discharge    | factory area                |   |  | 51.318 tons                 |                   |                     |                 |
|   | SO2                          | Organized Emissions | 1 Lime kiln chimney 1 Soda  | 38.28mg/m3 5.52mg/  | 80mg/m3 200mg/   | 9.67 tons                   | 142.872 tons/year | 328.417 tons/year   |                 |
|   | SO2                          | Organized Emissions | furnace chimney 1 Lime kiln | m3 131.73mg/m3  | m3 180mg/m3  | 6.81 tons                   | 181.887 tons/year | 950.829 tons/year   |                 |
|   | NOX                          | Organized Emissions | chimney 1 Soda furnace      | 176.22mg/m3 37.60mg/  | 200mg/m3 200mg/  | 55.69 tons                  | 45.311 tons/year  | 83.759 tons/year    | 398.911         |
|   | NOX                          | Organized Emissions | chimney 1 Lime kiln chimney | m3 25.09mg/m3 15.03mg/  | m3 30mg/m3   | 337.42 tons 7.49            | tons/year         | 39.891 tons/year    |                 |
|   | particulate                  | Organized Emissions | 1 Soda furnace chimney 1    | L 0.09mg/L  | 150mg/L 14mg/L   | tons 24.61                  |                   |                     |                 |
|   | matter                       | Organized Emissions | Wastewater outlet 1         |   |  | tons 64.83                  |                   |                     |                 |
| COD                                       | Organized Emissions          | Wastewater outlet   |                             |   | tons 0.39 tons   |                             |                   |                     |                 |
| -----                                     | Indirect Emissions           | Indirect Emissions  |                             |   |  |                             |                   |                     |                 |

Section 5 Environmental and Social Responsibility

1. Major environmental issues (continued)

Construction and operation of pollution prevention and control facilities

- (1) The company and its subsidiaries strictly abide by national and local government environmental protection laws, regulations and relevant regulations. The project construction strictly implements the "three simultaneous" of environmental protection, and the production and operation strictly abide by the national "Environmental Pollution Prevention and Control Law", "Water Pollution Prevention and Control Law", "Air Pollution Prevention and Control Law", "Water Ten Measures" and "Solid Waste Pollution Prevention and Control Law", etc., to ensure that all pollutants are discharged and disposed of in strict accordance with the requirements of laws and regulations.
- (2) The company and its subsidiaries are equipped with complete environmental protection treatment facilities. The main process of sewage treatment is: pretreatment-anaerobic-aerobic-advanced treatment process, which can realize the discharge of sewage up to the standard; and all subsidiaries are equipped with The reclaimed water reuse system reuses the treated sewage as much as possible to reduce pollution discharge. The company has built a total of 9 sewage treatment plants with a daily processing capacity of 350,000 cubic meters; and every quarter, the government department regularly compares the online monitoring data in the company, and the data comparison is qualified.
- (3) The organized waste gas outlets of each subsidiary are equipped with an online monitoring system for real-time monitoring. Each subsidiary is equipped with its own power plant. The boilers of each power plant are equipped with environmental protection facilities such as electrostatic precipitator, desulfurization, and denitrification. The denitrification process adopts SCR or SNCR. The power plant uses ammonia desulfurization), and the emission indicators are basically lower than the national and local emission standards. Other alkali recovery furnaces and lime kilns also meet emission standards.

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

For a long time, the company has done a good job in the environmental impact assessment of construction projects in strict accordance with the relevant laws and regulations on environmental protection. Environmental impact assessments have been carried out for all construction projects. During the construction process, the construction plan of environmental protection projects has been reasonably arranged and strictly implemented. Environmental protection facilities and the main project are designed at the same time. Simultaneous construction and simultaneous production and use. At present, all construction projects put into production have environmental impact assessment approval and acceptance approval.

In June 2017, the company and its subsidiaries completed the application for new pollutant discharge permits in accordance with the management measures of the Ministry of Environmental Protection for pollutant discharge permits, and new projects were updated in a timely manner in accordance with environmental protection requirements.

Emergency plan for environmental emergencies

The company strictly implements the emergency regulations for environmental emergencies, and formulates various corresponding emergency plans for environmental emergencies according to the technical requirements in the "Technical Guidelines for the Preparation of Emergency Plans for Environmental Pollution Accidents", which have been reviewed and filed by the Environmental Protection Bureau, and emergency training is carried out regularly and emergency drills. Hazardous chemicals have established emergency measures in accordance with environmental protection requirements, and are equipped with necessary emergency supplies, which are regularly checked and updated.

Section 5 Environmental and Social Responsibility

1. Major environmental issues (continued)

Environmental Self-Monitoring Program

The company strictly abides by self-monitoring regulations, conducts self-monitoring in accordance with environmental protection requirements, and establishes and improves corporate environmental management accounts and materials. At present, self-monitoring is a combination of manual monitoring and automatic monitoring, and at the same time, qualified units are entrusted to carry out monitoring work on a regular basis. Automatic monitoring items: total waste water discharge (chemical oxygen demand, ammonia nitrogen, flow, total phosphorus, total nitrogen, PH); power plant, alkali recovery furnace, lime kiln waste gas discharge (sulfur dioxide, nitrogen oxides, smoke). Manual monitoring items: daily monitoring of COD, ammonia nitrogen, SS, color, PH, total phosphorus, and total nitrogen indicators. For other monitoring items of sewage, unorganized exhaust gas, solid waste and noise at the factory boundary, according to the local environmental protection requirements of each subsidiary, qualified units are entrusted to carry out monitoring work on a monthly or quarterly basis.

The self-monitoring data and environmental monitoring plan of each subsidiary's pollutant discharge are disclosed on the national key pollution source information disclosure website and the provincial key pollution source information disclosure website.

Administrative penalties due to environmental issues during the reporting period

| Company or Subsidiary Name Punishment Reason Violation |                     |  | The impact on the production and operation of listed companies The company's rectification measures |                             |   |
|--|---------------------|--|---|-----------------------------|---|
| Jiangxi Chenming Paper Co., Ltd.                       | Excess discharge    | On September 12, 2021, Nanchang Ecological Environment                       | On January 7, 2022, the Nanchang  | Jiangxi Chenming has        | Source control, by strictly controlling the operation of the water treatment              |
|  | of water pollutants | Bureau conducted an on-site inspection of Jiangxi Chenming.                  | Municipal Bureau of Ecology and   | completed the rectification | system, the indicators of each section meet the required range.                           |
|  |                     | After testing, the suspended matter of the wastewater sample                 | Environment issued an "Administrative   | and paid the fine on        | Stabilize the water intake, avoid the impact of excessive water volume,                   |
|  |                     | collected from the wastewater outlet was 59.33mg/L, and the                  | Penalty Decision", imposing a fine of   | time, which has not caused  | and affect the suspended solids index of the effluent.                                    |
|  |                     | chroma was 64, which exceeded the standard by 0.98 times and                 | RMB 401,000 on Jiangxi Chenming.  | any major adverse impact on | Strengthen the detection of drainage indicators, and adjust them in time according to the |
|  |                     | 0.28 times respectively, and the wastewater discharge exceeded the standard. |   | the listed company.         | indicators to ensure that the discharge meets the standards.                              |

Other environmental information that should be disclosed

Information on pollutant discharge permits and relevant environmental protection information required by pollutant discharge permits is published on the National Pollutant Discharge Permit Management Information Platform.

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

Applicable Not applicable

Section 5 Environmental and Social Responsibility

1. Major environmental issues (continued)

Measures and effects taken to reduce its carbon emissions during the reporting period (continued)

- (1) Measure the carbon content every month, purchase coal with higher calorific value, and increase the amount of purchased electricity to reduce coal consumption.
- (2) Implement the conversion of new and old kinetic energy, eliminate high-energy-consuming equipment, replace high-efficiency frequency conversion and energy-saving motors, and reduce energy consumption.
- (3) For the moisture in the wire section and the press section of the paper machine, reduce the press moisture and steam consumption in the drying section by adjusting the lip flow, retention rate and line pressure and other measures. According to the zero position of the air cover in the dryer section of the paper machine, the frequency of the fan is appropriately reduced, and the zero position is increased to improve drying efficiency and save power consumption.
- (4) Strengthen the daily energy-saving management, formulate a system for the temperature of the air conditioner and the switch of each power supply, and follow up the inspection.
- (5) Vigorously develop clean energy and energy recycling projects to reduce carbon emissions. Shouguang Chenming's 33MW and Zhanjiang Chenming's 30MW photovoltaic power generation projects are under construction implement.
- (6) Carry out energy conservation and emission reduction in each factory, strictly control the amount of clean water, increase the water production of membrane treatment, and increase the amount of recycled sewage.

Other environmental related information

Other environmental protection-related information is announced in the "Self-Test Publicity" column of the company's website.

2. Social Responsibility

1. To protect the rights and interests of shareholders

During the reporting period, the company strictly followed laws and regulations such as the "Company Law", "Securities Law", "Shenzhen Stock Exchange Stock Listing Rules" and the relevant provisions of the "Articles of Association", operated in compliance with laws and regulations, and actively protected shareholders' rights and interests. The company uses a combination of on-site and online voting to hold a general meeting of shareholders to ensure that shareholders, especially small and medium-sized shareholders, have the right to know, participate and vote on major issues of the company; Suggestions, communicate and answer the questions that investors generally care about, so that investors can have a more comprehensive and clear understanding of the company; the company strictly fulfills its information disclosure obligations, and discloses information to all investors in a true, accurate, complete, timely and fair manner Improve the transparency of the company and effectively protect the rights and interests of shareholders.

2. Protect the rights and interests of employees

During the reporting period, the company adhered to the people-oriented concept, strictly abided by relevant laws and regulations such as the Labor Law and the Labor Contract Law, and fully protected the legitimate rights and interests of employees. The company continues to improve the human resources management system, guided by the employment concept of "eliminating the backward, rejecting the mediocre, and encouraging the advanced", optimizes the salary system and assessment incentive mechanism, strengthens individual vocational training, and promotes the improvement of the comprehensive ability of employees; at the same time, enriches the spare time life of employees , carried out activities such as the 2022 employee table tennis exchange game, employee basketball game, and badminton game; continued to improve the employee dining environment, distributed birthday cakes and greeting cards, and organized summer cool-down activities to enhance employees' sense of happiness and belonging, and maintain employees rights and interests.



## Section 5 Environmental and Social Responsibility

### 2. Social Responsibility (continued)

#### 3. Protect the rights and interests of suppliers and customers

The company always adheres to the core values of "integrity-based, win-win sharing", and pays attention to protecting the legitimate rights and interests of suppliers and customers. During the reporting period, the company continued to establish and improve the supply chain management system, optimized the "Regional Procurement Management Measures for Subsidiaries", selected high-quality suppliers fairly and equitably, strengthened source procurement, established long-term cooperative relationships, reduced procurement costs, and ensured raw material quality and stable supply. The company insists on being market demand-oriented, focusing on improving customer satisfaction, continuously improving the level of scientific and technological research and development, providing customers with the most valuable products and services, and fully respecting and protecting the legitimate rights and interests of suppliers and customers.

#### 4. Protect the ecological environment

The company has always adhered to the concept of "green development, ecological Chenming", thoroughly implemented the national energy conservation and environmental protection policies, actively practiced the "dual carbon" strategy, and unwaveringly followed the path of green, low-carbon and high-quality development. During the reporting period, the company further intensified its efforts in environmental protection, strengthened the publicity and education of energy conservation and environmental protection, and carried out a series of activities such as "Energy Conservation Publicity Week" and Low Carbon Day to improve the awareness of energy conservation and environmental protection of all employees; continue to improve risk control measures and hidden danger management plans, and strengthen environmental protection. Check the daily hazards of equipment to ensure the normalization of the "double prevention mechanism"; continue to integrate environmental protection concepts into products, and strive to provide customers with greener and healthier products. Among them, the company developed poplar coated white cardboard, Star Love tissue paper and Star Love toilet paper. The three major products won the national "Green Design Product", and the developed "Super High Pine Coated Paper Technology Development for Children's Picture Book" is a new technology, new achievement, and new model that is mainly promoted and applied in the provincial light industry industry. Sustainable development path requirements. In 2022, the company won the China Environmental Labeling Product Certification again, and its products include double-sided offset printing paper, light paper, and coated paper series, and has won this honor for 10 consecutive years.

#### 5. Practice social welfare

The company has always adhered to the guidance of "creating high-quality paper products and sincerely repaying the society". While pursuing economic benefits, it also pays attention to the creation of social value. Over the years, the company has been helping education and public welfare undertakings for the disabled, participating in charitable activities such as "Chaoyang Student Assistance" and "Love for the Disabled", and helping poor students through the Love Education Foundation. During the reporting period, the company actively participated in the 32nd "National Helping the Disabled Day" charitable donation activity; in addition, under the situation of frequent outbreaks of the new crown pneumonia epidemic in China, the company actively implemented epidemic prevention measures, improved the internal epidemic prevention system, and built a solid While protecting its own safety, donate anti-epidemic materials and living materials to affected areas such as Mazhang District of Zhanjiang City and Longtan District of Jilin City to support the local fight against the epidemic.

The original intention is solid, and the mission is on the shoulders. In the first half of 2022, the company actively assumed the responsibility of protecting the rights and interests of stakeholders such as shareholders, customers and suppliers, implemented the "dual carbon" strategy, supported the fight against the epidemic, helped the poor and the disabled, and effectively fulfilled its social responsibilities. In the future, the company will continue to follow the guidance of "creating high-quality paper products and sincerely repaying the society", focusing on the main business of pulping and papermaking, focusing on the creation of social value, and realizing the organic unity of economic, social and ecological benefits.

Section 6 Important Matters

1. The company's actual controller, shareholders, related parties, acquirers and the company and other relevant parties have fulfilled their commitments during the reporting period and as of the end of the reporting period

Unfulfilled commitments at the end of the reporting period

ÿ Applicable ÿ Not applicable

During the reporting period of the company, there were no commitments that were fulfilled by the company's actual controller, shareholders, related parties, acquirers, and the company.

2. Non-operating capital occupation of listed companies by controlling shareholders and other related parties

ÿ Applicable ÿ Not applicable

During the reporting period of the company, there was no non-operating capital occupation of listed companies by controlling shareholders and other related parties.

3. Illegal external guarantees

ÿ Applicable ÿ Not applicable

During the reporting period, the company had no external guarantees in violation of regulations.

4. Appointment and Dismissal of Accounting Firms

Whether the semi-annual financial report has been audited

ÿ Yes ÿ No

The company's semi-annual report has not been audited.

V. Explanation of the Board of Directors and the Board of Supervisors to the accounting firm's "non-standard audit report" for the reporting period

ÿ Applicable ÿ Not applicable

6. Explanation of the board of directors on the relevant situation of the "non-standard audit report" of the previous year

ÿ Applicable ÿ Not applicable

7. Matters related to bankruptcy and reorganization

ÿ Applicable ÿ Not applicable

During the reporting period, there were no matters related to bankruptcy and reorganization of the company.

Section 6 Important Matters

8. Litigation matters

Major Litigation and Arbitration Matters

ÿ Applicable ÿ Not applicable

| Basic information on litigation (arbitration)                   | Amount involved | Whether there   | Litigation (arbitration)  | Litigation  |   |
|---|-----------------|---|---|---|---|
|   |                 | is an estimated liability litigation (arbitration) progress | trial results and impact  | (arbitration) Judgment execution disclosure date disclosure index |   |
| Statutory demand and winding-up petition HK\$389,112,432.44 Yes |                 |   | On February 16, 2022, on June 14, 2022, the Court of Appeal of the Hong Kong High Court in Hong | June 21,  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
|   |                 |   | Kong made a judgment in the Court of Final Appeal, rejecting the company's appeal               | 2022  |   |
|   |                 |   | request made on August 5, 2020, and instructing early judgment to file appeal. Before           |   |   |
|   |                 |   | May 2022, according to Judge Xiali of the Court of First Instance on the 17th, the              |   |   |
|   |                 |   | hearing of the appeal was filed in Hong Kong as an adjourned court of final appeal.             |   |   |
|   |                 |   | On June 14, 2022, the Hong Kong Court of Final Appeal will issue a judgment on the              |   |   |
|   |                 |   | sum of the sum of money submitted by the company for the conditions of the petition.            |   |   |
|   |                 |   | RMB 389,112,432.44, together with the accrued interest therein, shall be paid to                |   |   |
|   |                 |   | Arjowiggins HKK2 Limited.   |   |   |

Other litigation matters

ÿ Applicable ÿ Not applicable

9. Punishment and rectification

ÿ Applicable ÿ Not applicable

| name/name                                      | type | reason   | Investigation Penalty Type | Conclusion (if any)   | Disclosure Date | Disclosure Index |
|--|------|--|----------------------------|---|-----------------|------------------|
| Subsidiary of Jiangxi Chenming Paper Co., Ltd. |      | General administrative penalties for excessive discharge of water pollutants |                            | On September 12, 2021, Nanchang Ecological Environment Bureau           | not applicable  | not applicable   |
|  |      |  |                            | conducted an on-site inspection of Jiangxi Chenming. After testing, the |                 |                  |
|  |      |  |                            | suspended matter of the wastewater sample collected at the wastewater   |                 |                  |
|  |      |  |                            | outlet was 59.33mg/L, and the chroma was 64, which exceeded the         |                 |                  |
|  |      |  |                            | standard by 0.98 times and 0.28 times respectively, and the wastewater  |                 |                  |
|  |      |  |                            | discharge exceeded the standard. On January 7, 2022, the Nanchang       |                 |                  |
|  |      |  |                            | Municipal Bureau of Ecology and Environment issued an "Administrative   |                 |                  |
|  |      |  |                            | Penalty Decision", imposing a fine of RMB 401,000 on Jiangxi Chenming.  |                 |                  |
|  |      |  |                            | As of the disclosure date of this report, Jiangxi Chenming has          |                 |                  |
|  |      |  |                            | completed rectification and paid fines on time.                         |                 |                  |

Section 6 Important Matters

IX. Punishment and rectification (continued)

Description of rectification

ÿ Applicable ÿ Not applicable

Jiangxi Chenming rectification measures

(1) Source control, by strictly controlling the operation of the water treatment system, the indicators of each section have reached the required range. (2) Stabilize the water intake to avoid the impact of excessive water volume and affect the suspended solids index of the effluent. (3) Strengthen the detection of drainage indicators, and adjust them in time according to the indicators to ensure that the discharge meets the standards.

10. Integrity of the company, its controlling shareholders and actual controllers

ÿ Applicable ÿ Not applicable

11. Significant connected transactions

1. Affiliated transactions related to daily operations

ÿ Applicable ÿ Not applicable

| Disclosure date   |                     |                  |  |                          |                   |                                  |                                |                      |                    |   |
|---|---------------------|------------------|--|--------------------------|-------------------|----------------------------------|--------------------------------|----------------------|--------------------|---|
| Related parties   | connection relation | transaction type | transaction content  | Pricing Principles       | Related           | Related                          | Proportion to the              | Approved transaction | Is it more than    | Related   |
|   |                     |                  |  | for Related Transactions | transaction price | transaction amount (10,000 yuan) | amount of similar transactions | amount (10,000 yuan) | the approved quota | Transaction Settlement Method                     |
|   |                     |                  |  |                          |                   |                                  |                                |                      |                    | market price of comparable transactions available |
|   |                     |                  |  |                          |                   |                                  |                                |                      |                    | disclosure index                                  |
| Wuliang Shima Derby Wapport Co., Ltd. joint venture labor service   |                     |                  | Port miscellaneous fees market price market price 3,235.51 |                          |                   | 7.47%                            | 10,000.00                      | no                   |                    | Bank acceptance, N/A March 31, 2022               |
|   |                     |                  |  |                          |                   |                                  |                                |                      |                    | wire transfer                                     |
| The   |                     |                  |  |                          | 3,235.51          |                                  | 10,000.00                      | None                 |                    |   |
| details of the total return of large-value sales if   |                     |                  |  |                          |                   |                                  |                                | Not                  |                    |   |
| the total amount of the daily related transactions that will occur in the current period is estimated by category, the actual performance during the reporting period (if any) The reason |                     |                  |  |                          |                   |                                  |                                |                      |                    |   |
| for the large difference between the transaction price and the market reference price (if applicable)   |                     |                  |  |                          |                   |                                  |                                | Applicable           |                    |   |

2. Affiliated transactions in the acquisition and sale of assets or equity

ÿ Applicable ÿ Not applicable

During the reporting period, there was no related transaction of asset or equity acquisition or sale.

3. Affiliated transactions of joint foreign investment

ÿ Applicable ÿ Not applicable

During the reporting period, there was no related party transaction involving joint external investment.

4. Related claims and debts

ÿ Applicable ÿ Not applicable

Whether there are non-operating related creditor's rights and debts

ÿ yes ÿ no

Section 6 Important Matters

XI. Significant connected transactions (continued)

4. Related claims and debts (continued)

Claims receivable from related parties

| Related party  | connection relation | Cause   | Whether there is non-operating capital occupation    |  | Amount  |               | Interest for the current period (10,000 yuan) | Ending balance (10,000 yuan) |
|--|---------------------|---|--|--|---|---------------|---|------------------------------|
|  |                     |   | Balance at the beginning of the period (10,000 yuan) | Added amount in the current period (10,000 yuan) | recovered in the current period (10,000 yuan) | Interest rate |   |                              |
| Shouguang Meite Environmental Protection Technology Co., Ltd. Weifang Sime Darby Westport Co., Ltd.'s impact on the company's operating results and financial status | joint venture       | Financial Assistance No 1,779.11 Financial Assistance No 0.00 1,779.11 0.00% 6,974.73 The above creditor's rights do not affect the normal operation of the company, and at the same time meet the needs of the existing business development of Shouguang Meite Environmental Protection and Weifang Sime Darby West Port, and reduce financing costs. | 0.00   | 0.00   | 0.00  | 6.00%         | 49.19   | 0.00                         |

Debts payable to related parties

| Related party   | connection relation                | Cause   | Whether there is non-operating capital occupation    |   | Amount   |               | Interest for the current period (10,000 yuan) | Ending balance (10,000 yuan) |
|---|------------------------------------|---|--|---|--|---------------|---|------------------------------|
|   |                                    |   | Balance at the beginning of the period (10,000 yuan) | Amount added in this period (10,000 yuan) | Repayment amount in the current period (10,000 yuan) | Interest rate |   |                              |
| Chenming Holdings Co., Ltd. Guangdong Nanyue Bank Co., Ltd.'s related debts affect the company's operating results and financial status | Controlling shareholder associates | Financial assistance 15,500.00 Market interest rate borrowing 70,000.00 15,500.00 0.00% 6,466.85 192,600.00 Chenming Holdings provides financial assistance to the company without any mortgage or guarantee by the company. Operating capital needs. | 0.00   | 0.00                                      | 0.00   | 6.46685%      | 33.21   | 0.00                         |

5. Contacts with financial companies that have affiliated relationships

☐ Applicable ☐ Not applicable

There is no deposit, loan, credit or other financial business between the company and the financial company that has a related relationship with the related party.

6. The relationship between the financial company controlled by the company and related parties

☐ Applicable ☐ Not applicable

There is no deposit, loan, credit or other financial business between the financial company controlled by the company and related parties.

7. Other major related party transactions

☐ Applicable ☐ Not applicable

The company had no other major related transactions during the reporting period.

Section 6 Important Matters

XII. Significant contracts and their performance

1. Trusteeship, contracting and leasing matters

(1) Custody status

Applicable Not applicable

There was no trusteeship in the reporting period of the company.

(2) Contract status

Applicable Not applicable

There was no contracting situation in the reporting period of the company.

(3) Lease situation

Applicable Not applicable

There was no lease in the reporting period of the company.

2. Major guarantees

Applicable Not applicable

(1) Guarantees During the

reporting period, the company provided guarantees for subsidiaries with an amount of RMB 7,289,931,200; subsidiaries provided guarantees for subsidiaries with an amount of RMB 93,489,800.

As of June 30, 2022, the balance of external guarantees provided by the company (including the company to subsidiaries and subsidiaries to subsidiaries) was RMB 11,805,539,500, accounting for 61.42% of the equity attributable to shareholders of the parent company at the end of June 2022.

Unit: ten thousand yuan

| External guarantees of the company and its subsidiaries (excluding guarantees for subsidiaries) |  |                  |                           |  |                   |                           |  |                   |                               |
|---|--|------------------|---------------------------|--|-------------------|---------------------------|--|-------------------|-------------------------------|
| Guarantee name  | Disclosure date of announcements related to guarantee amount | Guarantee amount | actual date of occurrence | Actual Guarantee Amount  | Guarantee Type    | Collateral (if any)       | Counter guarantee (if any)                       | disclosure period | Whether to                    |
|   |  |                  |                           |  |                   |                           |  |                   | guarantee for related parties |
| Wellfong Sime Darby Westport Co., Ltd.  | July 24, 2017 March 30,                                      | 11,740.00        | December 20, 2017         | 11,740.00  | General guarantee | 16,000.00                 | April 25, 2022                                   | 16,000.00         | Pledge                        |
| Zhanjiang Runbao Trading Co., Ltd.  | 2022   |                  |                           |  |                   | Credit                    | Shareholders guaranteed 10 year equity           | no                | yes                           |
|   |  |                  |                           |  |                   | Guarantee                 | transfer payment of 160 million yuan for 2 years | no                | no                            |
|   |  |                  |                           |  |                   | Wuhan Chenming's          | Equity   |                   |                               |
| Zhanjiang Dingjin Trading Co., Ltd.   | December 4, 2020   | 13,558.19        | December 4, 2020          |  |                   | 34.64% equity real estate | transfer payment of                              | 2 years           | no                            |
|   |  |                  |                           | 13,558.19  | Mortgage          |                           | 136 million                                      |                   | no                            |
| Total amount of external guarantees approved during the reporting period (A1)                   |  |                  |                           | yuan 16,000.00 Total actual amount of external guarantees during the reporting period (A2) |                   |                           |  | 16,000.00         |                               |
| Total amount of external guarantees approved at the end of the reporting period (A3)            |  |                  |                           | 41,298.19 Total actual external guarantee balance at the end of the reporting period (A4)  |                   |                           |  | 41,298.19         |                               |

Section 6 Important Matters

XII. Significant contracts and their performance (continued)

2. Major guarantees (continued)

(1) Guarantees (continued)

| Guarantees provided by the company to its subsidiaries  |   |                   |   |                  |   |                  |                   |                  |               |
|---|---|-------------------|---|------------------|---|------------------|-------------------|------------------|---------------|
| Guarantee name  | Disclosures date of                       | actual            |   | Actual           |   | Collateral       | Counter guarantee | Whether to       |               |
|   | announcements related to guarantee amount | Guarantee amount  | date of occurrence  | Guarantee Amount | Guarantee Type                              | (if any)         | (if any)          | Guarantee period | guarantee for |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. March 30, 2019 Zhanjiang Chenming Pulp & Paper Co., Ltd. March 27, 2020 Zhanjiang Chenming Pulp & Paper Co., Ltd. March 30, 2022 Shandong Chenming Group Finance Co., Ltd. March 2022 30th Shandong |   | 176,778.70        | December 27, 2019 176,778.70 General Warranty 150,000.00 October 16, 2020 150,000.00              |                  |   | credit guarantee |                   | 5 years          | No            |
| General Warranty 1,050,000.00 April 8, 2022 142,226.44 General Warranty General Warranty 30,000.00  |   |                   |   |                  |   | credit guarantee |                   | 5 years          | No            |
| Chenming Paper Sales Co., Ltd. March 30, 2019 Shandong Chenming Paper Sales   |   | 25,434.99         | February 15, 2022 25,434.99 General Warranty 350,000.00 April 7, 2022 100,562.48 General Warranty |                  |   | credit guarantee |                   | 1 year           | No            |
| Co., Ltd. March 30, 2022 Huanggang Chenming Pulp & Paper Co., Ltd. March 30, 2016   |   | 19, 2021          |   | 60,500.00        | July  |                  |                   | 1 year           | No            |
| Huanggang Chenming Pulp & Paper Co., Ltd. March 30, 2022 Jiangxi Chenming Paper   |   | 60,500.00         | General Warranty 350,000.00 April 22, 2022 11,000.00 General Warranty 62,308.42 August 31,        |                  |   | credit guarantee |                   | 5 years          | No            |
| Co., Ltd. March 30, 2019 Jiangxi Chenming Paper Co., Ltd. March 30, 2022 Shouguang  |   | 2021 62,308.42    | General Warranty 400,000.00 2022 March 31st 98,684.99 General Warranty July 7th 2021              |                  |   | credit guarantee |                   | 1 year           | No            |
| Mekun Paper Co., Ltd. March 27, 2020 Shouguang Mekun Paper Industry Co., Ltd.   |   | 93,138.11         | General Warranty 93,138.11 500,000.00 April 30, 2022 34,259.14 General Warranty 3,000.00          |                  |   | credit guarantee |                   | 7 years          | No            |
| March 30, 2022 Wuhan Chenming Hanyang Paper Co., Ltd. October 18, 2019 Wuhan  |   | December 17, 2021 | 3,000.00 General Warranty   |                  |   | credit guarantee |                   | 1 year           | No            |
| Chenming Hanyang Paper Co., Ltd. Chenming (Hong Kong) Co., Ltd. Chenming (Hong Kong) Co., Ltd. Shouguang Chen Ming Import and Export Trading Co., Ltd. Shouguang  |   |                   |   |                  |   | credit guarantee |                   | 5 years          | No            |
| Chenming Import and Export Trading Co., Ltd. Jilin Chenming Paper Co., Ltd. Jilin   |   |                   |   |                  |   | credit guarantee |                   | 1 year           | No            |
| Chenming Paper Co., Ltd. Zhanjiang Chenming Forestry Development Co., Ltd. Nanchang   |   |                   |   |                  |   | credit guarantee |                   | 1 year           | No            |
| Chenming Forestry Development Co., Ltd.   | March 30, 2022                            | 50,000.00         |   |                  | General Warranty                            |                  |                   | 3 years          | No            |
|   | March 25, 2021 March 30,                  | 10,533.09         | March 26, 2022 200,000.00 April 1, 2022   | 10,533.09        | General Warranty 26,338.49                  | credit guarantee |                   | 1 year           | no            |
|   | 2022 March 30, 2019                       | 10,000.00         | January 14, 2022  |                  | General Warranty 10,000.00 General Warranty | credit guarantee |                   | 5 years          | no            |
|   | March 30, 2022                            | 50,000.00         |   |                  | General Warranty                            |                  |                   | 1 year           | no            |
|   | March 30, 2019 March 30,                  | 9,858.00          | January 13, 2022 30,000.00 May 23, 2022   | 9,858.00         | General Warranty 1,800.00                   | credit guarantee |                   | 1 year           | no            |
|   | 2022 March 30, 2022                       | 30,000.00         |   |                  | General Warranty General Warranty           | credit guarantee |                   | 1 year           | no            |
|   | March 30, 2022                            | 10,000.00         |   |                  | General Warranty                            |                  |                   | 1 year           | no            |

Section 6 Important Matters

XII. Significant contracts and their performance (continued)

2. Major guarantees (continued)

(1) Guarantees (continued)

| Guarantees provided by the company to its subsidiaries   |   |   |  |  |                  |                   |                  |              |                 |
|--|---|---|--|--|------------------|-------------------|------------------|--------------|-----------------|
| Guarantee name   | Disclosure date of                        | Guarantee amount  | actual                                   | Actual   | Collateral       | Counter guarantee | Guarantee period | Whether to   | guarantee for   |
|  | announcements related to guarantee amount |   | date of occurrence                       | Guarantee Amount Guarantee Type  |                  |                   |                  | Is it        |                 |
|  |   |   |  |  | (if any)         | (if any)          |                  | fulfilled    | related parties |
| Shanghai Chenming Pulp and Paper Sales Co., Ltd.   | March 30, 2019 March 30,                  | 3,000.00  | January 26, 2022 150,000.00 May 31, 2022 | 3,000.00 General Warranty 12,000.00  | credit guarantee |                   | 5 years          | No           | No              |
| Ltd. Shanghai Chenming Pulp and Paper Sales  | 2022 March 30, 2022 March                 | 10,000.00 40,000.00 40,000.00 June 14, 2022 100,000.00    |  | General Warranty General Warranty General  | credit guarantee |                   | 1 year           | No           | No              |
| Co., Ltd. Shanghai Hongqi Property Management  | 30, 2022 March 30, 2022                   | May 13, 2022  |  | Warranty   |                  |                   | 1 year           | No           | No              |
| Co., Ltd. Chenming (Overseas) Co.,   | March 30, 2022 March 30,                  | 500,000.00  |  | 11,081.13  |                  |                   | 1 year           | No           | No              |
| Ltd. Chenming (Singapore) Co., Ltd.  | 2022 March 30, 2022 March                 | 30,000.00 10,000.00 20,000.00 10,000.00 5,000.00 5,000.00 |  | General Warranty 5,000.00 General Warranty   | credit guarantee |                   | 1 year           | No           | No              |
| Hainan Chenming Technology Co., Ltd.   | 30, 2022 March 30, 2022                   |   |  | General Warranty General Warranty General  | credit guarantee |                   | 1 year           | No           | No              |
| Huanggang Chenming Paper Technology Co.,   | March 30, 2022 March 30,                  |   |  | Warranty   |                  |                   | 1 year           | No           | No              |
| Ltd. Company Huanggang Chenming Pulp and   | 2022 March 30, 2022 March                 |   |  | General  |                  |                   | 1 year           | No           | No              |
| Fiber Trading Co., Ltd. Kunshan Tuoan Plastic  | 30, 2022                                  |   |  | Warranty   |                  |                   | 1 year           | No           | No              |
| Products Co., Ltd. Shouguang Chenming Art  |   |   |  | General  |                  |                   | 1 year           | No           | No              |
| Paper Co., Ltd. Jiangxi Chenming Tea   |   |   |  | Warranty   |                  |                   | 1 year           | No           | No              |
| Industry Co., Ltd. Shouguang Hongqi Packaging  |   |   |  | General Warranty   |                  |                   | 1 year           | No           | No              |
| and Decoration Co., Ltd.   |   |   |  |  |                  |                   | 1 year           | No           | No              |
| Shouguang Hongqiang  |   |   |  |  |                  |                   |                  |              |                 |
| Printing and Packaging Co., Ltd. Shouguang   | March 30, 2022 March 30,                  | 5,000.00  |  | General Warranty   |                  |                   | 1 year           | no           | no              |
| Chenming Modern Logistics Co., Ltd.  | 2022 March 30, 2022                       | 5,000.00  |  | General Warranty   |                  |                   | 1 year           | no           | no              |
| Shandong Yujing Hotel Co., Ltd.  |   | 5,000.00  |  | General Warranty   |                  |                   | 1 year           | no           | no              |
| Shouguang  |   |   |  |  |                  |                   |                  |              |                 |
| Chenming Paper Machinery Co., Ltd. Total amount of guarantee for   |   |   |  | 3,985,000.00 Total actual amount of guarantees to subsidiaries during the reporting period (B2) 4,589,551.31 Total |                  |                   |                  | 728,593.12   |                 |
| subsidiaries approved during the reporting period (B1) Total amount of guarantee for subsidiaries approved at the end of the reporting period (B3) |   |   |  | actual balance of guarantees to subsidiaries at the end of the reporting period (B4)                               |                  |                   |                  | 1,047,483.98 |                 |



Section 6 Important Matters

XII. Significant contracts and their performance (continued)

2. Major guarantees (continued)

(1) Guarantees (continued)

| Guarantees from subsidiaries to subsidiaries   |  |   |  |   |  |                         |  |                   |  |
|--|--|---|--|---|--|-------------------------|--|-------------------|--|
| Disclose date of   |  | actual  |  | Actual  |  | Collateral              |  | Counter guarantee |  |
| Guarantee name   |  | Guarantee amount                                    |  | Guarantee Amount Guarantee Type   |  | (if any)                |  | (if any)          |  |
| announcements related to guarantee amount  |  | date of occurrence                                  |  |   |  |                         |  |                   |  |
| Chenming (Hong Kong) Co., Ltd. March 30, 2019 Chenming (Hong Kong) Co., Ltd. March 30,   |  | 13,422.80 November 19, 2021 9,348.98 March 17, 2022 |  | 13,422.80 General Guarantee 9,348.98  |  | Credit Guarantee        |  | 5 years           |  |
| 2019 Zhanjiang Chenming Pulp & Paper Co., Ltd. March 27, 2020 Shouguang Mallan Paper     |  | 12,000.00 August 16, 2021 36,400.00 December 4,     |  | General Guarantee 12,000.00 General   |  | Credit Guarantee        |  | 5 years           |  |
| Co., Ltd. December 2020 December 4, 2020, Wuhan Chenming Hanyang Paper Co., Ltd.         |  | 2020 600.00 December 4, 2020 20,000.00 December 4,  |  | Guarantee 36,400.00 Mortgage 600.00   |  | Credit Guarantee        |  | 1 year            |  |
| December 4, 2020 Huanggang Chenming Pulp & Paper Co., Ltd. December 4, 2020 The total    |  | 2020  |  | Mortgage 20,000.00 Mortgage 0.00  |  | Real                    |  | 3 years           |  |
| amount of guarantees for subsidiaries approved during the reporting period (C1) Approved |  |   |  | Total actual amount of  |  | Estate                  |  | 3 years           |  |
| pairs at the end of the reporting period Total company guarantee amount (C3)             |  |   |  | guarantees to subsidiaries during   |  | Real Estate Real Estate |  | 3 years           |  |
|  |  |   |  | the reporting period (C2) 91,771.78 Total actual balance of guarantees to subsidiaries at the end |  |                         |  |                   |  |
|  |  |   |  | of the reporting period (C4)  |  |                         |  |                   |  |

| The total amount of guarantees of the company (that is, the   |  |   |  |  |  |  |  |                 |  |
|---|--|---|--|--|--|--|--|-----------------|--|
| The total amount of guarantees approved during the reporting period   |  | total of the first three items  |  | 4,001,000.00 The total amount of guarantees actually incurred during the reporting |  |  |  | 754,342.10      |  |
| (A1+B1+C1) The total amount of guarantees approved at the end of the reporting  |  | period (A2+B2+C2) 4,722,621.28 The total actual balance of guarantees at the end of the reporting period (A4+B4+C4) |  |  |  |  |  | 1,180,553.95    |  |
| period (A3+B3+C3) The actual total amount of guarantees (ie A4+B4+C4) as a percentage of the  |  |   |  |  |  |  |  | 61.42%          |  |
| company's   |  |   |  |  |  |  |  |                 |  |
| net assets Among them: Shareholders, the balance of guarantees provided by the actual controller  |  |   |  |  |  |  |  | 0.00            |  |
| and its related parties (2) the balance of debt guarantees provided directly or indirectly for the guaranteed objects whose asset-liability ratio   |  |   |  |  |  |  |  | 152,737.47      |  |
| exceeds 70% (E) the amount of the part where the total guarantee exceeds  |  |   |  |  |  |  |  | 219,535.09      |  |
| 50% of net assets (F) The total amount of the above three   |  |   |  |  |  |  |  | 372,272.56 None |  |
| guarantees (D+E+F) For the unexpired guarantee contract, the guarantee liability occurred during the reporting period or there is evidence that it may assume joint and several liability for payment |  |   |  |  |  |  |  |                 |  |
| (if any) The provision of guarantees in violation of prescribed procedures description (if any)   |  |   |  |  |  |  |  | None            |  |

3. Entrusted financial management

☐ Applicable ☐ Not applicable

There was no entrusted wealth management in the reporting period of the company.

4. Other major contracts

☐ Applicable ☐ Not applicable

There were no other major contracts in the reporting period of the company.

Section 6 Important Matters

XIII. Explanation of other important matters

Applicable Not applicable

1. The company and its subsidiaries have passed the certification of high-tech enterprises

The company and its subsidiaries, Shouguang Meilun and Zhanjiang Chenming, were re-identified as high-tech enterprises after the expiration of the original high-tech enterprise certificates. The certificate numbers are GR202137005666, GR202137005468, and GR202137005468, and GR202144001212, and the validity period is three years. According to the "Enterprise Income Tax Law of the People's Republic of China" and the state's relevant tax policy regulations on high-tech enterprises, the company, Shouguang Meilun and Zhanjiang Chenming can enjoy high-tech enterprises within three years (that is, from 2021 to 2023) from the year when they pass the high-tech enterprise certification. Enterprise income tax preferential policy, pay enterprise income tax at a rate of 15%.

For details, please refer to the relevant announcement disclosed by the company on the Juchao website on February 11, 2022. The announcement number is: 2022-002.

2. General Election of the Board of Directors and the Board of Supervisors

On June 15, 2022, the company held the first extraordinary general meeting of shareholders in 2022 to review and approve the "Proposal on Election of Non-Independent Director Candidates for the Tenth Board of Directors", "Proposal on Election of Independent Non-executive Director Candidates for the Tenth Board of Directors" Proposal" and "Proposal on Election of Candidates for Shareholder Representative Supervisors of the Tenth Board of Supervisors", Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun, Mr. Li Feng, and Mr. Li Weixian were elected as the executive directors of the company's tenth board of directors; Mr. Han Tingde and Mr. Li Chuanxuan were elected as the company's Non-executive directors of the tenth board of directors; Mr. Li Zhihui, Mr. Sun Jianfei, Mr. Yang Biao, and Ms. Yin Meiqun are independent non-executive directors of the tenth board of directors; Ms. Li Kang, Ms. Pan Ailing and Ms. Zhang Hong are shareholder representative supervisors of the tenth board of supervisors of the company. On the same day, the company held the 4th meeting of the 10th employee representative conference, and elected Ms. Qiu Lanju and Ms. Sang Ailing as employee representative supervisors of the 10th board of supervisors; At the meeting, Mr. Chen Hongguo was elected as the chairman, Mr. Hu Changqing and Mr. Li Xingchun as the vice chairman, and Ms. Li Kang as the chairman of the board of supervisors. The company's board of directors and board of supervisors completed the general election.

For details, please refer to the relevant announcements disclosed by the company on the Juchao website on June 16, 2022. The announcement numbers are: 2022-049, 2022-050, 2022-051, 2022-052.

### 3. 2022 semi-annual report disclosure index

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Chenming Paper Group Co., Ltd.

## Section 6 Important Matters

## XIII. Explanation of other significant events (continued)

## 3. 2022 Interim Report Disclosure Index (continued)

| Bulletin Number Matters  | Published date | Published Internet sites and search paths  |
|--|----------------|--|
| 2022-022 Announcement on Amending the Company's Relevant Systems 2022-023 Announcement on Providing Guarantees to External Parties 2022-024 Announcement on Credit Transfer and Related Party Transactions 2022-025 Announcement on the Results of the "18 Morning Bond 01" Bondholders' Sellback 2022-026 Shandong Chenming Paper Group Co., Ltd. is open to qualified investors in 2018  | March 31, 2022 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> March 31, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> March 31, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> March 31, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> March 31, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>  |
| 2022 Interest Payment Announcement for Public Issuance of Corporate Bonds (Phase I)  |                |  |
| 2022-027 Announcement on the receipt of government subsidies by subsidiaries   | April 1, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> April 07, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>   |
| 2022-028 Announcement on the proposed resale of the "18 Morning Bond 01" repurchase bonds  | April 21, 2022 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> April 21, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> April 30, 2022  |
| 2022-029 Announcement on the pledge of shareholders' shares and the release of some shares   | May 10, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 10, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 12, 2022  |
| 2022-030 2022 First Quarterly Report 2022-031 Announcement on the Implementation Results of "18 Morning Bond 01" Bond Resale 2022-032 Announcement on the Resolutions of the 2021 Annual General Meeting of Shareholders   | May 24, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>  |
| 2022-033 Announcement on the Resolutions of the 24th Extraordinary Meeting of the Ninth Board of Directors 2022-034 Announcement on Resolutions of the Seventh Extraordinary Meeting of the Ninth Board of Supervisors 2022-035 Statement of Nominator of Independent Director (Li Zhihui) 2022-036 Statement of Nominee of Independent Director (Sun Jianfei) 2022-037 Statement of Nominee of Independent Director (Yang Biao) 2022-038 Nominee of Independent Director Statement (Yin Meiqun) 2022-039 Independent Director Candidate Statement (Li Zhihui) | May 24, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> May 24, 2022 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |

## Section 6 Important Matters

### XIII. Explanation of other significant events (continued)

#### 3. 2022 Interim Report Disclosure Index (continued)

| Bulletin Number Matters  | Published date | Published Internet sites and search paths                       |
|--|----------------|---|
| 2022-040 Statement of Independent Director Candidates (Sun Jianfei)  | May 24, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-041 Statement of Independent Director Candidates (Yang Biao)  | May 24, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-042 Statement of Independent Director Candidates (Yin Meiqun)   | May 24, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-043 Announcement on Purchasing Liability Insurance for Directors, Supervisors and Senior Executives       | May 30, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-044 About the Meeting Notice of the First Extraordinary General Meeting of Shareholders in 2022           | May 31, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-045 Announcement on Adjustment of Credit Rating   | May 31, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-046 Announcement on Resolutions of the Twenty-fifth Extraordinary Meeting of the Ninth Board of Directors | May 31, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-047 Cancellation of the First Extraordinary General Meeting of Shareholders in 2022                       | June 1, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-048 Proposal and Supplementary Notice of Shareholders' Meeting  | June 1, 2022   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-049 Announcement of Resolutions of the First Extraordinary Shareholders' Meeting in 2022                  | June 16, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-050 Announcement on Election of Employee Representative Supervisors                                       | June 16, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-051 The tenth session of the board of directors   | June 16, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-052 Announcement of Resolutions of the First Meeting of the Tenth Board of Supervisors                    | June 16, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-053 Announcement on the progress of the lawsuit   | June 21, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-054 Announcement on the continuation of the shareholder's share pledge business                           | June 28, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-055 Announcement on Resolutions of the First Extraordinary Meeting of the 10th Board of Directors         | June 28, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2022-056 About Capital Increase and Share Introduction Strategy of Holding Subsidiaries Investor               | June 28, 2022  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |

Section 6 Important Matters

XIV. Significant events of the company's subsidiaries

̣ Applicable ̣ Not applicable

1. Zhanjiang Chenming introduced strategic investors

On June 27, 2022, the company held the first interim meeting of the 10th Board of Directors to review and approve the "Proposal on Capital Increase and Share Expansion of Holding Subsidiaries and Introduction of Strategic Investors". Based on the recognition of Zhanjiang Chenming's good development prospects, Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) increased the capital of Zhanjiang Chenming by RMB 400 million, of which RMB 266,351,374 was included in the registered capital, and the remaining RMB 133,648,626 was included in the capital reserve.

For details, please refer to the relevant announcements disclosed by the company on the Juchao website on June 28, 2022. The announcement numbers are: 2022-055, 2022-056.

1. Changes in shares

1. Changes in shares

Unit: share

|  | Quantity before |                                      | Increase/decrease in this change           |          |          | Quantity after |            |
|--|-----------------|--------------------------------------|--|----------|----------|----------------|------------|
|  | this change     | Issuance of new shares in proportion | (+, -) Bonus share reserve fund conversion | other    | Subtotal | this change    | Proportion |
| 1. Shares subject to sale restrictions   | 84,733,521      | 2.84%                                |  | -144,313 | -144,313 | 84,589,208     | 2.83%      |
| 1. Other domestic shares of              | 84,733,521      | 2.84%                                |  | -144,313 | -144,313 | 84,589,208     | 2.83%      |
| which: shares held by domestic natural   | 84,733,521      | 2.84%                                |  | -144,313 | -144,313 | 84,589,208     | 2.83%      |
| persons 2. Shares not subject to         | 2,899,474,679   | 97.16%                               |  | 144,313  | 144,313  | 2,899,618,992  | 97.17%     |
| sale restrictions 1. RMB                 | 1,664,784,163   | 55.79%                               |  | 144,313  | 144,313  | 1,664,928,476  | 55.79%     |
| ordinary shares 2. Domestically listed   | 706,385,266     | 23.67%                               |  |          |          | 706,385,266    | 23.67%     |
| foreign shares 3. Overseas listed        | 528,305,250     | 17.70%                               |  |          |          | 528,305,250    | 17.70%     |
| foreign shares 3. Total number of shares | 2,984,208,200   | 100.00%                              |  |          |          | 2,984,208,200  | 100.00%    |

Reasons for changes in

shares ☐ Applicable ☐ Not applicable

During the reporting period, since Mr. Geng Guanglin, a senior executive of the ninth session of the board of directors of the company, had left his post for six months, some RMB ordinary shares with sales restrictions held by him (A shares) became unrestricted shares, the number of shares was 179,238 shares; Mr. Chen Gang resigned at the end of his term of office, and part of the unrestricted RMB ordinary shares (A shares) he held became restricted shares, the number of shares was 34,925 shares.

Approval of share changes ☐

Applicable ☐ Not applicable

Transfer status of share changes ☐

Applicable ☐ Not applicable

Implementation progress of share

repurchase ☐ Applicable ☐ Not applicable

Progress in the implementation of reduction of repurchased shares by means of

centralized bidding ☐ Applicable ☐ Not applicable

Section 7 Changes in Shares and Information on Shareholders

1. Changes in shares (continued)

1. Changes in shares (continued)

The impact of shareholding changes on financial indicators such as basic earnings per share and diluted earnings per share in the latest year and the latest period, net assets per share attributable to ordinary shareholders of the company Applicable ☐ Not applicable

Other content that the company deems necessary or required by securities regulators to disclose ☐ Applicable ☐ Not applicable

2. Changes in restricted shares

☐ Applicable ☐ Not applicable

Unit: share

| Name of shareholder | Number of shares released from                             |  | Reasons for increasing                         |  | Release date  |
|---------------------|--|--|--|--|---|
|                     | Number of restricted shares at the beginning of the period | lifting restrictions in the current period | the number of restricted shares in this period | The number of restricted shares at the end of the period |   |
| Geng Guanglin       | 2,716,950  | 179,238                                    | 0  | 2,537,712  | Share incentive restricted shares are based on the draft equity incentive plan and the relevant regulations on the management |
| Chen Gang           | 1,104,775  | 0  | 34,925   |  | of Dong Jian Gao's locked-up shares of Dong Jian Gao's shares   |
| total               | 3,821,725  | 179,238                                    | 34,925   | 3,677,412  | —   |

2. Securities Issuance and Listing

☐ Applicable ☐ Not applicable



Section 7 Changes in Shares and Information on Shareholders

3. Number of shareholders and shareholding status of the company

Unit: share

| number of ordinary shareholders at the end of the reporting period   |                                       | 170,976 (including 148,205 A-shares; 22,437 B-shares; 334 H-shares) total number of preference shareholders with voting rights restored at the end of the reporting period (if any) |   |   |  |                  |                           | 0                             |
|--|---------------------------------------|---|---|---|--|------------------|---------------------------|-------------------------------|
| Shareholdings of ordinary shareholders holding more than 5% of the shares or the top 10 ordinary shareholders at the end of the reporting period |                                       |   |   |   |  |                  |                           |                               |
| shareholder name   | Nature of shareholders                | Shareholding ratio  | shareholders at the end of the reporting period   |   | Number of ordinary shares held during the reporting period |                  | Number of ordinary shares | Pledge, mark or freeze status |
|  |                                       |   | period  | Changes in the number of ordinary shares held by sales restrictions | held without sales restrictions                            | number of shares |                           |                               |
| Chenming Holdings Limited  | State-owned legal person              | 15.32%  | 457,322,919   | 0   | 0  | 457,322,919      | Pledge 274,220,000        |                               |
| HKSCC NOMINEES LIMITED   | Foreign legal person                  | 12.51%  | 373,381,375   | -125,000  | 0  | 373,381,375      |                           |                               |
| Chenming Holdings (Hong Kong) Co., Ltd.  | Foreign legal person                  | 12.20%  | 364,131,563   | 0   | 0  | 364,131,563      |                           |                               |
| Ningbo Asia Paper Tube Carton Co., Ltd.  | Domestic non-state-owned legal person | 1.08%   | 32,120,000  | 32,120,000  | 0  | 32,120,000       |                           |                               |
| Chen Hongguo   | Domestic natural person               | 1.04%   | 31,080,044  | 0   | 23,310,033   | 7,770,011        |                           |                               |
| Shandong Sun Holding Group Co., Ltd.   | Domestic non-state-owned legal person | 0.82%   | 24,507,117  | 8,119,300   | 0  | 24,507,117       |                           |                               |
| HKSCC  | Foreign legal person                  | 0.54%   | 16,218,780  | 2,157,809   | 0  | 16,218,780       |                           |                               |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND   | Foreign legal person                  | 0.50%   | 14,819,546  | 805,900   | 0  | 14,819,546       |                           |                               |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND  | Foreign legal person                  | 0.50%   | 14,771,945  | 0   | 0  | 14,771,945       |                           |                               |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED  | Foreign legal person                  | 0.40%   | 11,857,746  | 1,344,583   | 0  | 11,857,746       |                           |                               |
| Strategic investors or general legal persons become the top 10 ordinary shareholders due to allotment of new shares (if any)                     |                                       |   | none  |   |  |                  |                           |                               |
| Explanation on the related relationship or concerted action of the above-mentioned shareholders  |                                       |   | The overseas legal person shareholder Chenming Holdings (Hong Kong) Co., Ltd. is a wholly-owned subsidiary of the state-owned legal person shareholder Chenming Holdings Co., Ltd.; the shareholder Chen Hongguo is the legal representative, chairman and general manager of Chenming Holdings Co., Ltd. In addition, it is unknown whether the above-mentioned other shareholders are persons acting in concert, or whether there is an associated relationship among the above-mentioned other shareholders. |   |  |                  |                           |                               |
| Explanation of the above-mentioned shareholders involved in entrusted/trusted voting rights and waiver of voting rights                          |                                       |   | none  |   |  |                  |                           |                               |
| Special note on the presence of repurchase accounts among the top 10 shareholders  |                                       |   | none  |   |  |                  |                           |                               |

Section 7 Changes in Shares and Information on Shareholders

3. Number of shareholders and shareholding status of the company (continued)

| Shareholdings of the top 10 ordinary shareholders not subject to sales restrictions                           |  |                                |                |
|---|--|--------------------------------|----------------|
| shareholder name  | Number of ordinary shares                      |                                | Type of shares |
|   | not subject to selling                         |                                |                |
|   | restrictions held at the end of the reporting  | Type of shares                 | quantity       |
| Chenming Holdings Limited   | 457,322,919 RMB ordinary shares                |                                | 457,322,919    |
| HKSCC NOMINEES LIMITED  | 373,381,375 Overseas listed foreign shares     |                                | 373,381,375    |
| Chenming Holdings (Hong Kong) Co., Ltd.   | 364,131,563 Domestically listed foreign shares |                                | 210,717,563    |
|   |  | Overseas listed foreign shares | 153,414,000    |
| Ningbo Asia Paper Tube Carton Co., Ltd.   | 32,120,000 RMB ordinary shares                 |                                | 32,120,000     |
| Shandong Sun Holding Group Co., Ltd.  | 24,507,117 RMB ordinary shares                 |                                | 24,507,117     |
| HKSCC   | 16,218,780 RMB ordinary shares                 |                                | 16,218,780     |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND  | 14,819,546 domestically listed foreign shares  |                                | 14,819,546     |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND   | 14,771,945 domestically listed foreign shares  |                                | 14,771,945     |
| GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED  | 11,857,746 domestically listed foreign shares  |                                | 11,857,746     |
| Agricultural Bank of China Co., Ltd. - China Securities 500 Trading Open-end Index Securities Investment Fund | 5,920,500 RMB ordinary shares                  |                                | 5,920,500      |

Between the top 10 shareholders of ordinary shares not subject to sales restrictions, and between the top 10 ordinary foreign legal person shareholders of Chenming Holdings (Hong Kong) Co., Ltd., which is a state-owned legal person shareholder Description of Affiliated Relationship or Concerted Action A wholly owned subsidiary of Limited. In addition, it is unknown whether the above-mentioned other shareholders are persons acting in concert, or whether there is an associated relationship among the above-mentioned other shareholders.

Explanation on the participation of the top 10 ordinary shareholders in the margin financing and securities lending business (if any)

Chenming Holdings Co., Ltd. holds 457,322,919 RMB ordinary shares, of which 352,322,919 shares are held in ordinary accounts, and 105,000,000 shares are held through credit guarantee securities accounts; Ningbo Asia Paper Tube Carton Co., Ltd. holds 32,120,000 RMB ordinary shares, of which ordinary accounts hold There are 0 shares, and 32,120,000 shares are held through a credit guarantee securities account; Shandong Sun Holding Group Co., Ltd. holds 24,507,117 RMB ordinary shares, of which 0 shares are held in an ordinary account, and 24,507,117 shares are held through a credit guarantee securities account.

Section 7 Changes in Shares and Information on Shareholders

3. Number of shareholders and shareholding status of the company (continued)

Whether the company's top 10 shareholders of common shares and top 10 shareholders of common shares not subject to sales restrictions conducted agreed repurchase transactions during the reporting period

Yes No

The company's top 10 shareholders of common shares and top 10 shareholders of common shares not subject to sales restrictions did not conduct agreed repurchase transactions during the reporting period.

4. Changes in shareholdings of directors, supervisors and senior management

Applicable Not applicable

V. Changes in controlling shareholders or actual controllers

Changes in controlling shareholders during the reporting period

Applicable Not applicable

During the reporting period, the controlling shareholder of the company remained unchanged.

Changes in the actual controller during the reporting period

Applicable Not applicable

The actual controller of the company did not change during the reporting period.

6. Securities interests of directors, supervisors and chief executives disclosed in accordance with the listing rules of the Hong Kong Stock Exchange

On June 30, 2022, all directors, supervisors and chief executives of the company in the company or its associated corporations (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (hereinafter referred to as the "SFO" ) Part XV) interests and short positions in shares, underlying shares and debentures recorded in the register required to be kept under section 352 of the SFO as follows:

company

|  |  | Number of shares held at the         |
|--|--|--------------------------------------|
| Name                                   | position   | end of the reporting period (shares) |
| Director                               |  |                                      |
| Chen Hongguo (Note 1)                  | Chairman and General   | 31,080,044A shares                   |
| Hu                                     | ManagerExecutive Director and Vice                           | 5,042,857A shares                    |
| Changqing                              | ChairmanExecutive Director and Vice                          | 5,000,000A shares                    |
| Li                                     | ChairmanExecutive Director and Deputy                        | 3,906,027A shares                    |
| Xingchun Li Feng Li Weixian            | General ManagerExecutive Director and Deputy General Manager | 2,081,200A shares                    |
|  |  | 159,000H shares                      |
| Han Tingde                             | Non-Executive Directors                                      | -                                    |
| Li Chuanxuan                           | Non-Executive Directors                                      | -                                    |
| Li Zhihui                              | Independent Non-Executive Directors                          | -                                    |
| Sun Jianfei                            | Independent Non-Executive Directors                          | -                                    |
| Yin Meiqun                             | Independent Non-Executive Directors                          | -                                    |
| Yang                                   | Independent Non-Executive Directors                          | -                                    |
| Biao                                   |  |                                      |
|  | Chairman of the Board of Supervisors                         | 149,300 A crotch                     |
| Supervisor                             |  |                                      |
|  | Supervisors  | -                                    |
| Li                                     | Supervisors  | -                                    |
| Kangpan                                | Supervisors  | -                                    |
| Ailing Zhang Hongsang Ailing Qiu Lanju | Supervisors Supervisors                                      | -                                    |

Section 7 Changes in Shares and Information on Shareholders

6. Securities interests of directors, supervisors and chief executives disclosed in accordance with the listing rules of the Hong Kong Stock Exchange (continued)

associated corporation

| Name  | position | Associated corporation name | Number of shares                 |                | Number of shares              |
|---|----------|-----------------------------|----------------------------------|----------------|-------------------------------|
|   |          |                             | held at the beginning            | Change during  | held at the end of            |
|   |          |                             | of the reporting period (shares) | the period +/- | the reporting period (shares) |
| Chairman Chen Hongguo and General Manager Shouguang Henglian Enterprise Investment Co., Ltd. (Note 2) 231,000,000 |          |                             |                                  |                | – 231,000,000                 |

Note 1: In addition to the 31,080,044 A shares held by him personally, Chen Hongguo is deemed to hold interests in the 3,861,322 A shares held by his spouse Li Xueqin.

Note 2: Chen Hongguo and his spouse Li Xueqin jointly hold 76.79% equity of Shouguang Henglian Enterprise Investment Co., Ltd. (hereinafter referred to as "Shouguang Henglian"). The 231,000,000 shares of Chenming Holdings (representing approximately 18.65% of the total share capital of Chenming Holdings) are also deemed to be held by Chen Hongguo.

Except as disclosed above, as of June 30, 2022, none of the company's directors, supervisors and chief executives owned any shares, related shares or bond certificates of the company or its related corporations that must be recorded in the company's securities and interests or short positions in the register required to be kept under section 352 of the Futures Ordinance, or interests or short positions that must be notified to the company and the Hong Kong Stock Exchange in accordance with Appendix 10 of the Hong Kong Stock Exchange Listing Rules "Model Code for Securities Transactions by Directors of Listed Companies" short position.

On June 30, 2022, none of the directors, supervisors and chief executives of the company or their spouses or children under the age of 18 has the right to subscribe for the share capital or debentures of the company or its associated corporations. Neither have they exercised any such rights.

7. Interests and short positions of major shareholders in shares and related shares disclosed in accordance with the listing rules of the Hong Kong Stock Exchange

On June 30, 2022, the interests or short positions held by persons other than the directors, supervisors or chief executives of the company in the company's shares and related shares are recorded in the register required to be kept in accordance with Section 336 of the Securities and Futures Ordinance. Recorded by:

| name                                  | Number of shares held (shares) | Approximate shareholding percentage |                 |
|---------------------------------------|--------------------------------|-------------------------------------|-----------------|
|                                       |                                | (%) to total share capital          | to class shares |
| Chenming Holdings Limited             | 457,322,919 A shares (L)       | 15.32                               | 26.14           |
| Chenming Holdings (Hong Kong) Limited | 210,717,563 B shares (L)       | 7.06                                | 29.83           |
| Chenming Holdings (Hong Kong) Limited | 153,414,000 H shares (L)       | 5.14                                | 29.04           |

(L) – Long position (S) – Short position (P) – Shares available for lending

Save as disclosed above, on June 30, 2022, no other person had an interest or short position in the shares and underlying shares of the Company in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance Record.

Section VIII Preference Shares Related Information

ý Applicable ý Not applicable

During the reporting period, the company had no preferred shares.

Section 9 Bond Related Information

ÿ Applicable ÿ Not applicable

1. Corporate bonds

ÿ Applicable ÿ Not applicable

During the reporting period, the company did not have corporate bonds.

2. Corporate bonds

ÿ Applicable ÿ Not applicable

1. Basic information of corporate bonds

|  |   |           |                | Bond balance  |               |                |   |                         |
|--|---|-----------|----------------|---------------|---------------|----------------|---|-------------------------|
| bond name  | Bond Abbreviation   | Bond Code | Issue Date     | day of birth  | expiry date   | (yuan)         | Interest rate repayment method                                | Trading places          |
|  |   |           |                |               |               |                |   |                         |
| Shandong Chenming Paper Group Co., Ltd. publicly issued corporate bonds to qualified investors in 2018 (first tranche) | 18 Chen Bond 01   | 112641    | March 29, 2018 | April 2, 2018 | April 2, 2023 | 350,000,000.00 | 6.50% Interest paid annually; principal repayment at maturity | Shenzhen Stock Exchange |
| Investor Suitability Arrangements (if any)   | Online issuance: public investors who have opened an A-share securities account with China Securities Depository and Clearing Corporation Limited. Offline issuance: Institutional investors who have opened an A-share securities account with China Securities Depository and Clearing Corporation Limited. |           |                |               |               |                |   |                         |
| Applicable transaction mechanism   | Shenzhen Stock Exchange's centralized bidding system and comprehensive agreement trading platform for bilateral listing transactions  |           |                |               |               |                |   |                         |
| Whether there is a risk of terminating listing transactions (if any) and countermeasures                               | no  |           |                |               |               |                |   |                         |

Overdue outstanding

bonds ÿ Applicable ÿ Not applicable

## Section 9 Bond Related Information

### 2. Corporate bonds (continued)

#### 2. The triggering and implementation of issuer or investor option clauses and investor protection clauses

☐ Applicable ☐ Not applicable

"18 Morning Bond 01" comes with the issuer's option to adjust the coupon rate and the investor's option to sell back. The issuer has the right to decide to adjust the 3-year coupon rate of the current bond at the end of the second year of the "18 Morning Bond 01" duration and the 1-year coupon rate after the adjustment at the end of the fourth year; if the issuer does not exercise the coupon rate adjustment option, the coupon rate for the subsequent term will remain unchanged from the original coupon rate. After the issuer issues an announcement on whether to adjust the coupon rate of the current bond and the adjustment range, investors have the right to choose to register during the investor sell-back registration period announced, and return all or part of the current bond at face value. sold to the issuer.

According to the "2018 Public Issuance of Corporate Bonds to Qualified Investors (Phase I) Prospectus", the company chose to lower the coupon rate to 6.50% at the end of the fourth year of the duration of the "18 Morning Bond 01"; "18 Morning Bond 01" Bondholders can declare and return all or part of the "18 Morning Bond 01" bonds they hold on February 28, March 1, March 2, March 3, and March 4, 2022. According to the data provided by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, the number of "18 Morning Bond 01" sold back this time is 1,955,000.00. The amount is 195,500,000.00 yuan (excluding interest), and the remaining escrow quantity is 1,545,000.00.

From April 8, 2022 to April 30, 2022, the company handled the resale of put-back bonds in accordance with relevant regulations. The number of completed resales was 1,955,000.00 bonds, and the average resale price was 100 yuan per bond. After the implementation of this resale, there are no bonds that have not been resold, and the remaining number of "18 Morning Bond 01" in custody is 3,500,000.00.

For details, please refer to the relevant announcements disclosed by the company on the Juchao website on February 25, March 1, March 3, March 31, April 7 and May 10, 2022. The announcement number is : 2022-004, 2022-005, 2022-006, 2022-025, 2022-028, 2022-031.

#### 3. Adjustments to credit rating results during the reporting period

☐ Applicable ☐ Not applicable

On May 26, 2022, China Chengxin International Credit Rating Co., Ltd. (hereinafter referred to as "CCXI") issued the "Shandong Chenming Paper Group Co., Ltd. Public Offering of Corporate Bonds to Qualified Investors in 2018 (Phase I)" Follow-up Rating Report (2022)" (Xin Ping Wei Han Zi [2022] Tracking No. 0343), CCXI adjusted the company's subject credit rating to AA+, "18 Morning Bond 01" credit rating to AA+, and the rating outlook is negative, and adjusted it to: maintain the company The credit rating of the main body is AA+, and the credit rating of "18 Morning Bond 01" is AA+, and the credit rating of the main body and debt is included in the credit rating watch list.

For details, please refer to the "Shandong Chenming Paper Group Co., Ltd. 2018 Public Issuance of Corporate Bonds to Qualified Investors (Phase I) Follow-up Rating Report (2022)" disclosed on Juchao website on May 26, 2022.

#### 4. The implementation and changes of guarantees, debt repayment plans and other debt repayment guarantee measures during the reporting period and their impact on the rights and interests of bond investors

☐ Applicable ☐ Not applicable

"18 Morning Bond 01" is an unsecured bond. During the reporting period, the company was able to strictly implement the debt repayment plan, and paid the interest in full and on time according to the time stipulated in the prospectus. There was no change in its debt repayment plan and other debt repayment guarantee measures, which were consistent with the relevant commitments in the prospectus.

Section 9 Bond Related Information

3. Debt financing instruments of non-financial enterprises

Applicable Not applicable

1. Basic information on debt financing instruments of non-financial enterprises

| bond name  | Bond Abbreviation                       | Bond Code | Issue Date     | day of birth    | expiry date     | Bond balance     | Interest rate repayment method                                      | Trading places        |
|--|---|-----------|----------------|-----------------|-----------------|------------------|---|-----------------------|
|  |   |           |                |                 |                 | (yuan)           |   |                       |
| Shandong Chenming Paper Group Co., Ltd. 2017 First Tranche Medium-term Notes             | 17 Lu Chenming                          | 101779001 | July 11, 2017  | July 12, 2017   | Not applicable  | 1,000,000,000.00 | 8.97% perpetual medium-term notes, with annual interest payment due | Interbank bond market |
| Shandong Chenming Paper Group Co., Ltd. 2019 First Tranche Medium-term Notes             | 19 Lu Chenming                          | 101900930 | July 15, 2019  | July 17, 2019   | July 17, 2022   | 700,000,000.00   | 6.5% annual interest payment due to repay the principal             | Interbank bond market |
| Shandong Chenming Paper Group Co., Ltd. 2019 Second Tranche Medium-term Notes            | 19 Lu Chenming                          | 101901058 | August 9, 2019 | August 13, 2019 | August 13, 2022 | 500,000,000.00   | 6.5% annual interest payment due to repay the principal             | Interbank bond market |
| Investor Suitability Arrangements (if any)   | none                                    |           |                |                 |                 |                  |   |                       |
| Applicable transaction mechanism   | Interbank Bond Market Trading Mechanism |           |                |                 |                 |                  |   |                       |
| Whether there is a risk of terminating listing transactions (if any) and countermeasures | not applicable                          |           |                |                 |                 |                  |   |                       |

Overdue outstanding

bonds Applicable Not applicable

2. The triggering and implementation of issuer or investor option clauses and investor protection clauses

Applicable Not applicable

3. Adjustments to credit rating results during the reporting period

Applicable Not applicable

On May 26, 2022, China Chengxin International issued the "2022 Annual Tracking and Rating Report of Shandong Chenming Paper Group Co., Ltd.", "17 Lu Chenming MTN001", "18 Lu Chenming MTN002", "19 Lu Chenming MTN001" and "19 Lu Chenming MTN002" have a credit rating of AA+, and the rating outlook is negative, adjusted to: maintain the company's main credit rating of AA+, "17 Lu Chenming MTN001", "19 Lu Chenming MTN001" and "19 Lu Chenming MTN002" have a credit rating of AA+, and the subject and debt credit ratings are included in the credit rating watch list.

For details, please refer to the "Shandong Chenming Paper Group Co., Ltd. 2022 Tracking and Rating Report" disclosed on China Money Online on May 26, 2022.



Section 9 Bond Related Information

3. Debt financing instruments of non-financial enterprises (continued)

4. The implementation and changes of guarantees, debt repayment plans and other debt repayment guarantee measures during the reporting period and their impact on the rights and interests of bond investors

ring

ÿ Applicable ÿ Not applicable

"17 Lu Chenming MTN001", "19 Lu Chenming MTN001" and "19 Lu Chenming MTN002" do not have guarantees. During the reporting period, the company was able to strictly implement the debt repayment plan, and paid the interest in full and on time according to the time stipulated in the prospectus. There was no change in its debt repayment plan and other debt repayment guarantee measures, which were consistent with the relevant commitments in the prospectus.

4. Convertible corporate bonds

ÿ Applicable ÿ Not applicable

During the reporting period, the company did not have any convertible corporate bonds.

5. During the reporting period, the loss in the scope of consolidated statements exceeded 10% of the net assets at the end of the previous year

ÿ Applicable ÿ Not applicable

6. As of the end of the reporting period, the company's main accounting data and financial indicators for the past two years

Unit: ten thousand yuan

| project           | At the end of the reporting period | end of last year | Increase/decrease at the end of the reporting period compared to the end of the previous year |
|-------------------|------------------------------------|------------------|---|
| Current Ratio     | 68.50%                             | 65.05%           | 3.45%   |
| Asset Liability   | 72.89%                             | 72.78%           | 0.11%   |
| Ratio Quick Ratio | 58.10%                             | 54.59%           | 3.51%   |

|   | This reporting period | last year  | Increase/decrease in the reporting period compared with the same period of the previous year |
|---|-----------------------|------------|--|
| Net profit after deducting extraordinary gains and losses | 17,340.79             | 196,471.82 | -91.17%  |
| EBITDA Total Debt to Interest                             | 4.25%                 | 8.97%      | -4.72%   |
| Coverage Cash   | 1.33                  | 2.99       | -55.52%  |
| Interest Coverage   | 2.11                  | 4.70       | -55.11%  |
| EBITDA Interest Coverage Ratio Loan                       | 2.72                  | 4.00       | -32.00%  |
| Repayment Rate  | 100.00%               | 100.00%    | 0.00%  |
| Interest Coverage Ratio                                   | 100.00%               | 100.00%    | 0.00%  |

Section 10 Financial Report

1. Audit report

Whether the semi-annual report has been audited

Yes No

The company's semi-annual financial report has not been audited.

2. Financial statements

The unit of the statement in the financial notes is: yuan

1. Consolidated balance sheet

Prepared by: Shandong Chenming Paper Group Co., Ltd.

June 30, 2022

unit: yuan

| project  | June 30, 2022     | December 31, 2021 |
|--|-------------------|-------------------|
| Current assets:  |                   |                   |
| Monetary   | 14,958,681,361.91 | 14,119,782,939.66 |
| funds Trading financial                                      | 51,033,051.57     | 110,886,182.88    |
| assets Notes   | 742,590,000.00    |                   |
| receivable   | 3,344,874,025.14  | 2,656,517,150.46  |
| Accounts receivable  | 912,727,537.75    | 435,459,341.76    |
| Financing  | 1,029,462,815.63  | 891,485,078.46    |
| prepayments Other  | 2,211,345,141.22  | 2,252,864,083.00  |
| receivables of which:  |                   |                   |
| Interest receivable Dividends receivable                     | 3,501,220.33      |                   |
|  | 5,388,568,445.28  | 5,282,631,922.12  |
| Inventory Non-current assets due within                      | 5,216,044,182.27  | 5,216,934,172.61  |
| one year Other current assets                                | 1,415,587,270.63  | 1,903,929,492.85  |
| Total Current Assets   | 35,270,913,831.40 | 32,870,490,363.80 |
| Non-current assets:  |                   |                   |
| Long-term receivables  | 1,727,573,276.15  | 1,788,759,975.35  |
| Long-term equity   | 1,924,214,471.31  | 1,866,587,685.35  |
| investment Other non-current financial                       | 519,927,003.25    | 519,927,003.25    |
| assets Investment real                                       | 6,357,996,507.32  | 6,473,538,431.91  |
| estate Fixed   | 34,390,613,468.18 | 35,653,492,676.15 |
| assets   | 802,407,685.01    | 197,749,526.05    |
| Construction in progress                                     | 10,398,523.90     |                   |
| Productive biological  | 188,830,653.76    | 197,429,176.44    |
| assets Right-to-   | 1,870,500,853.55  | 1,592,672,934.54  |
| use  | 26,946,905.38     | 26,946,905.38     |
| assets Intangible assets                                     | 47,413,231.29     | 49,141,773.14     |
| Goodwill Long-term prepaid                                   | 1,164,178,754.33  | 1,114,781,456.78  |
| expenses Deferred income tax assets Other non-current assets | 884,665,880.41    | 489,936,694.10    |
| Total non-current assets                                     | 49,915,667,213.84 | 49,970,964,238.44 |
| total assets   | 85,186,581,045.24 | 82,841,454,602.24 |

## Section 10 Financial Report

## 2. Financial statements (continued)

## 1. Consolidated balance sheet (continued)

| project  | June 30, 2022            | December 31, 2021        |
|--|--------------------------|--------------------------|
| Current liabilities:   |                          |                          |
| short-term   | 36,359,663,944.57        | 33,523,025,186.22        |
| borrowings   | 4,035,081,278.85         | 3,089,512,327.40         |
| payable notes  | 3,268,986,931.66         | 3,871,131,345.34         |
| payable accounts   | 26,735,329.19            | 38,274,028.20            |
| payable advance  | 1,334,133,746.95         | 1,382,289,597.54         |
| receipts contract liabilities  | 130,627,751.53           | 169,899,008.01           |
| payable staff  | 176,062,048.68           | 321,495,480.67           |
| salaries payable   | 1,544,415,534.74         | 1,538,013,585.93         |
| taxes payable other payables   | 65,975,461.61            | 55,437,777.80            |
| of which: interest   | -                        | -                        |
| payable dividends payable non-current liabilities                    | 4,558,351,674.18         | 6,601,311,227.98         |
| due within one year other current liabilities                        | -                        | -                        |
| <b>Total current liabilities</b>                                     | <b>51,434,058,240.35</b> | <b>50,534,951,787.29</b> |
| Non-current liabilities:   |                          |                          |
| Long-term  | 5,363,235,057.03         | 5,276,340,154.98         |
| borrowings Bonds   | -                        | 155,000,000.00           |
| payable Including:   | -                        | -                        |
| preference   | -                        | -                        |
| shares perpetual   | 54,751,617.05            | 57,281,205.81            |
| bonds Lease liabilities  | 3,383,399,934.07         | 2,358,901,022.99         |
| Long-term  | 325,259,082.28           | 325,259,082.28           |
| payables   | 1,521,325,740.88         | 1,573,681,684.25         |
| Estimated liabilities Deferred                                       | 12,761,398.95            | 13,210,529.74            |
| income Deferred income tax liabilities Other non-current liabilities | -                        | -                        |
| <b>Total non-current liabilities</b>                                 | <b>10,660,732,830.26</b> | <b>9,759,673,680.05</b>  |
| <b>total liabilities</b>   | <b>62,094,791,070.61</b> | <b>60,294,625,467.34</b> |
| Owner's Equity: Equity   |                          |                          |
| Other  | 2,984,208,200.00         | 2,984,208,200.00         |
| Equity Instruments Of  | 996,000,000.00           | 996,000,000.00           |
| which: Preferred Shares  | -                        | -                        |
| Perpetual  | 996,000,000.00           | 996,000,000.00           |
| Bonds Capital  | 5,250,084,902.32         | 5,282,805,114.62         |
| Reserve Minus:   | 226,860,000.00           | 226,860,000.00           |
| Treasury Shares Other  | -596,159,006.77          | -445,582,729.36          |
| Comprehensive  | 1,212,009,109.97         | 1,212,009,109.97         |
| Income Surplus Reserve   | 76,825,918.60            | 76,825,918.60            |
| General Risk Reserve Undistributed Profit                            | 9,524,268,170.62         | 9,210,372,613.81         |
| <b>Total minority shareholders' equity attributable to owners'</b>   | <b>19,220,377,294.74</b> | <b>19,089,778,227.64</b> |
| equity of the parent company   | 3,871,412,679.89         | 3,457,050,907.26         |
| <b>Total owner's equity</b>  | <b>23,091,789,974.63</b> | <b>22,546,829,134.90</b> |
| <b>Total Liabilities and Owner's Equity</b>                          | <b>85,186,581,045.24</b> | <b>82,841,454,602.24</b> |

Legal representative: Chen Hongguo

Person in charge of accounting work: Dong Lianming

Person in charge of the accounting department: Zhang Bo

## Section 10 Financial Report

## 2. Financial statements (continued)

## 2. Parent company balance sheet

unit: yuan

| project   | June 30, 2022     | December 31, 2021 |
|---|-------------------|-------------------|
| Current Assets:                                     |                   |                   |
| Monetary Funds                                      | 7,063,348,459.37  | 6,827,656,382.37  |
| Receivable  | 3,955,040,000.00  | 3,625,270,000.00  |
| Notes Receivable                                    | 1,214,929,356.15  | 141,601,245.51    |
| Accounts Receivable                                 | 343,168,472.49    | 7,923,732.09      |
| Financing   | 452,913,807.74    | 239,461,509.15    |
| Advances Other                                      | 8,021,857,221.76  | 8,900,179,262.54  |
| Receivables Of which:                               |                   |                   |
| Interest Receivable Dividends Receivable            |                   | 126,325,018.50    |
|   | 691,539,694.58    | 639,423,803.30    |
| Inventory Non-current assets due within             | 13,795,169.59     |                   |
| one year Other current assets                       | 142,455,846.78    | 44,894,366.29     |
| Total Current Assets                                | 21,899,048,028.46 | 20,426,410,301.25 |
| Non-current assets:                                 |                   |                   |
| Long-term receivables                               | 14,401,926.55     | 13,612,038.99     |
| Long-term equity                                    | 18,826,252,125.87 | 18,806,029,815.18 |
| investment Other non-current financial              | 119,927,003.25    | 119,927,003.25    |
| assets Fixed  | 3,638,101,674.93  | 3,753,927,591.49  |
| assets  | 120,165,950.03    | 94,436,880.66     |
| Construction in                                     | 512,652,321.51    | 520,068,337.11    |
| progress Intangible assets                          | 409,761,599.79    | 393,918,032.54    |
| Deferred income tax assets Other non-current assets | 48,375,235.23     | 7,000,000.00      |
| Total non-current assets                            | 23,689,637,837.16 | 23,708,919,699.22 |
| total assets  | 45,588,685,865.62 | 44,135,330,000.47 |
| Current liabilities:                                |                   |                   |
| short-term  | 14,903,735,390.93 | 13,761,223,259.09 |
| borrowings  | 9,210,957,194.28  | 9,725,713,524.15  |
| payable notes                                       | 1,824,630,352.59  | 1,129,675,956.85  |
| payable accounts                                    |                   |                   |
| payable advance                                     | 1,338,045,087.62  | 888,114,906.08    |
| receipts contract liabilities                       | 59,016,682.93     | 57,487,223.39     |
| payable staff                                       | 10,423,309.95     | 115,257,929.68    |
| salaries payable                                    | 670,688,794.45    | 970,585,670.47    |
| taxes payable other payables                        | 77,790,375.01     | 55,437,777.80     |
| of which: interest                                  |                   |                   |
| payable dividends payable non-current liabilities   | 1,901,997,326.57  | 2,111,092,964.34  |
| due within one year other current liabilities       |                   |                   |
| Total current liabilities                           | 29,919,494,139.32 | 28,759,151,434.05 |

## Section 10 Financial Report

## 2. Financial statements (continued)

## 2. Parent company balance sheet (continued)

| project   | June 30, 2022     | December 31, 2021 |
|---|-------------------|-------------------|
| Non-current liabilities:                                      |                   |                   |
| Long-term   | 1,838,330,770.83  | 1,779,135,700.00  |
| borrowings  |                   | 155,000,000.00    |
| payable Bonds Long-   | 293,666,383.24    | 52,376,768.35     |
| term payables   | 325,259,082.28    | 325,259,082.28    |
| Estimated   | 34,111,573.96     | 35,232,490.83     |
| liabilities Deferred income                                   |                   | -                 |
| Deferred income tax liabilities Other non-current liabilities |                   | -                 |
| Total non-current liabilities                                 | 2,491,367,810.31  | 2,347,004,041.46  |
| total liabilities   | 32,410,861,949.63 | 31,106,155,475.51 |
| Owner's Equity: Equity  |                   |                   |
| Other   | 2,984,208,200.00  | 2,984,208,200.00  |
| Equity Instruments Of   | 996,000,000.00    | 996,000,000.00    |
| which: Preferred Shares                                       |                   | -                 |
| Perpetual   | 996,000,000.00    | 996,000,000.00    |
| Bonds Capital   | 5,147,515,323.53  | 5,154,365,336.31  |
| Reserve Minus:  | 226,860,000.00    | 226,860,000.00    |
| Treasury Shares Other   |                   | -                 |
| Comprehensive   | 1,199,819,528.06  | 1,199,819,528.06  |
| Income Surplus Reserve Undistributed Profit                   | 3,077,140,864.40  | 2,921,641,460.59  |
| Total owner's equity  | 13,177,823,915.99 | 13,029,174,524.96 |
| Total Liabilities and Owner's Equity                          | 45,588,685,865.62 | 44,135,330,000.47 |

## Section 10 Financial Report

## 2. Financial statements (continued)

## 3. Consolidated income statement

unit: yuan

| project  | Half year 2022    | Half year 2021    |
|--|-------------------|-------------------|
| 1. Total operating income  | 16,676,428,365.83 | 17,172,816,354.53 |
| including: operating income  | 16,676,428,365.83 | 17,172,816,354.53 |
| 2. Total operating costs   | 16,436,429,464.84 | 14,740,489,809.82 |
| including: operating costs   | 14,054,949,279.20 | 11,861,060,977.92 |
| taxes and additional   | 116,108,890.55    | 163,794,026.94    |
| sales expenses   | 138,055,763.65    | 147,622,738.74    |
| management   | 422,766,365.85    | 492,048,555.49    |
| expenses R&D   | 683,514,560.93    | 757,021,354.57    |
| expenses   | 1,021,034,604.66  | 1,318,942,156.16  |
| financial expenses including:  | 991,475,816.56    | 1,399,107,777.11  |
| interest expenses interest income  | 150,582,370.85    | 221,507,514.16    |
| Add: Investment  | 149,264,611.68    | 123,098,748.58    |
| income from other income (losses are listed with   | -24,138,176.90    | 98,631,701.79     |
| "-") Including: investment income from joint ventures and joint ventures   | 26,616,556.58     | 82,955,115.52     |
| Gains from changes in fair value (losses are represented by "-")   | -58,813,415.49    | -99,119,691.89    |
| Credit impairment losses (losses are represented by  | -25,363,341.17    | -279,757,983.46   |
| "-") Asset impairment losses (losses are represented   | 1,936,644.09      | -                 |
| by "-") Gains from asset disposal (losses are  | 1,605,314.49      | 48,920,358.12     |
| represented by "-") 3. Operating profit (losses are  | 284,490,537.69    | 2,324,099,677.85  |
| listed with "-") Add: Non-   | 1,093,429.33      | 18,721,283.64     |
| operating income Minus:  | 10,202,739.60     | 2,332,530.96      |
| Non-operating expenses 4. Total profit (Total losses are listed  | 275,381,227.42    | 2,340,488,430.53  |
| with "-") Minus: Income  | 1,378,726.69      | 274,057,779.20    |
| tax expenses 5. Net profit (net loss is represented by   | 274,002,500.73    | 2,066,430,651.33  |
| "-") (1) Classification by business  |                   |                   |
| continuity 1. Net profit from continuing operations (net loss is   | 274,002,500.73    | 2,066,430,651.33  |
| represented by "-") 2. Net profit from discontinued operations (net  |                   |                   |
| loss is represented by "-") Fill in with   |                   |                   |
| "" (2) Classification by ownership 1. Net profit   | 230,141,463.76    | 2,021,095,417.54  |
| attributable to owners of  | 43,861,036.97     | 45,335,233.79     |
| the parent company 2. Profit and loss of minority  | -150,576,277.41   | 50,956,682.73     |
| shareholders 6. Net after-tax amount of other comprehensive income Net   | -150,576,277.41   | 50,956,682.73     |
| amount (1) Other comprehensive income that cannot be   |                   |                   |
| reclassified into profit or loss (2) Other comprehensive income that will be reclassified into profit or loss      | -150,576,277.41   | 50,956,682.73     |
| 1. Other comprehensive income that can be transferred to profit or loss under the equity                           | 4,743,150.54      | -                 |
| method 2. The after-tax net amount of other comprehensive  | -155,319,427.95   | 50,956,682.73     |
| income attributable to minority shareholders from translation differences of foreign currency financial statements |                   |                   |

## Section 10 Financial Report

### 2. Financial statements (continued)

#### 3. Consolidated income statement (continued)

| project  | Half year 2022 | Half year 2021   |
|--|----------------|------------------|
| 7. Total comprehensive                                     | 123,426,223.32 | 2,117,387,334.06 |
| income attributable to owners of the parent company Total  | 79,565,186.35  | 2,072,052,100.27 |
| comprehensive income attributable to minority shareholders | 43,861,036.97  | 45,335,233.79    |
| 8. Earnings per share:                                     |                |                  |
| (1) Basic earnings per share                               | 0.064          | 0.604            |
| (2) Diluted earnings per share                             | 0.064          | 0.604            |

Legal representative: Chen Hongguo

Person in charge of accounting work: Dong Lianming

Person in charge of the accounting department: Zhang Bo

## Section 10 Financial Report

## 2. Financial statements (continued)

## 4. Income statement of the parent company

unit: yuan

| project   | Half year 2022                 | Half year 2021                 |
|---|--------------------------------|--------------------------------|
| I. Operating income   | 3,746,662,856.50               | 4,683,453,465.64               |
| Minus: Operating costs  | 3,381,230,045.73 14,470,073.85 | 3,511,074,075.94 42,172,707.76 |
| Taxes and   | 3,847,240.05                   | 6,054,328.93                   |
| additional sales  | 89,156,653.40                  | 133,937,050.37                 |
| expenses  | 165,518,080.69                 | 183,256,544.45                 |
| Management  | 210,696,803.24                 | 206,076,531.65                 |
| expenses R&D  | 333,394,473.97                 | 442,271,605.59                 |
| expenses Financial  | 230,217,851.40                 | 304,371,806.49 2,494,987.66    |
| expenses  | 24,145,213.86                  | 2,679,672,292.80               |
| Including: Interest   | 237,259,432.75                 | -4,587,981.17                  |
| expenses Interest income Add: Other income  | -5,337,689.31                  |                                |
| Investment income (losses are listed with "-") Including: Fair value of                                   |                                |                                |
| investment income from associates and joint ventures Variable   | -                              | -                              |
| income (losses are represented by "-") Credit impairment  | -722,675.75                    | 29,056,014.19                  |
| losses (losses are represented by "-") Asset impairment   | -                              | -                              |
| losses (losses are represented by "-") Gains from asset disposal (losses are represented by "-") fill in) | 172,652.98                     | 4,656,034.96                   |
| 2. Operating profit (losses are listed with "-") plus: non-   | 142,598,583.38 61,000.00       | 3,316,761,556.15 486,916.50    |
| operating income minus:   | 3,003,746.82                   | 389,511.26                     |
| non-operating expenses 3.   | 139,655,836.56                 | 3,316,858,961.39               |
| Total profit (total losses are listed with "-") minus: income tax   | -15,843,567.25                 | 74,345,014.02 3,242,513,947.37 |
| expenses 4. Net profit (net   | 155,499,403.81                 | 3,242,513,947.37               |
| loss Fill in with "-") (1) Net profit from continuing operations  | 155,499,403.81                 |                                |
| (net loss is listed with "-") V. Net amount of other comprehensive income                                 |                                |                                |
| after tax (1) Other comprehensive income that   | -                              | -                              |
| cannot be reclassified into profit or loss (2) ) will be reclassified to                                  | -                              | -                              |
| other comprehensive income in profit or loss  | -                              | -                              |
| 6. Total comprehensive income   | 155,499,403.81                 | 3,242,513,947.37               |
| 7. Earnings per share:  |                                |                                |
| (1) Basic earnings per share (2)  | -                              | -                              |
| Diluted earnings per share  | -                              | -                              |



## Section 10 Financial Report

## 2. Financial statements (continued)

## 5. Consolidated cash flow statement

unit: yuan

| project  | Half year 2022    | Half year 2021    |
|--|-------------------|-------------------|
| 1. Cash flow from operating activities:  |                   |                   |
| Cash received from sales of goods and rendering  | 16,841,914,152.37 | 19,245,544,236.25 |
| of services Tax refund   | 697,745,590.84    | 1,118,668.30      |
| received Other cash related to operating activities  | 833,956,367.80    | 1,036,500,713.48  |
| Subtotal of cash inflow from operating activities  | 18,373,616,111.01 | 20,283,163,618.03 |
| The cash paid for the purchase of goods and  | 15,019,129,399.82 | 12,689,406,657.79 |
| services paid to employees and the cash paid for   | 721,958,063.20    | 639,736,604.16    |
| employees to pay taxes   | 635,688,016.57    | 1,207,344,439.05  |
| and fees other cash related to operating activities  | 998,576,421.97    | 999,490,395.09    |
| Subtotal of cash outflow from operating activities   | 17,375,351,901.56 | 15,535,978,096.09 |
| Net cash flow from operating activities  | 998,264,209.45    | 4,747,185,521.94  |
| 2. Cash flow from investing activities: Cash   |                   |                   |
| received from recovering   | -                 | 20,000,000.00     |
| investment Cash received from  | 4,740,000.00      | 36,500,000.00     |
| investment income Net cash received from disposal of fixed assets, intangible assets and       | 3,921,115.56      | 104,108,628.71    |
| other long-term assets Net cash received from disposal of subsidiaries                         | -                 | 4,503,417.80      |
| and other business units Other cash received relating to investing activities                  | -                 | 251,414,794.52    |
| Subtotal of cash inflows from investing activities   | 8,661,115.56      | 416,526,841.03    |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term | 815,285,839.39    | 221,876,188.00    |
| assets Cash paid for investment  | -                 | 1,100,000,000.00  |
| Subtotal of cash outflows from investing activities  | 815,285,839.39    | 1,321,876,188.00  |
| Net cash flows from investing activities   | -806,624,723.83   | -905,349,346.97   |

## Section 10 Financial Report

## 2. Financial statements (continued)

## 5. Consolidated cash flow statement (continued)

| project   | Half year 2022    | Half year 2021    |
|---|-------------------|-------------------|
| 3. Cash flow from financing activities: Cash received from                |                   |                   |
| absorbing investment Among them:  | 400,000,000.00    | 2,500,000,000.00  |
| cash received by subsidiaries from absorbing investment from minority     | 400,000,000.00    | 2,500,000,000.00  |
| shareholders, cash received from  | 17,740,613,294.18 | 15,114,516,924.13 |
| borrowings, cash received from other cash related to financing activities | 2,078,910,644.82  | 2,734,332,351.51  |
| Subtotal of cash inflows from financing activities                        | 20,219,523,939.00 | 20,348,849,275.64 |
| Cash paid for repayment of  | 16,096,915,969.19 | 16,987,908,936.87 |
| debts Dividends, profits or cash paid for interest payments               | 1,053,952,956.06  | 1,427,506,125.27  |
| Including: dividends paid by subsidiaries to minority shareholders,       |                   | 48,309,125.87     |
| profit payments and other cash related to financing activities            | 3,310,774,061.40  | 5,519,292,287.81  |
| Subtotal of cash outflows from financing activities                       | 20,461,642,986.65 | 23,934,707,349.95 |
| Net cash flow from financing activities                                   | -242,119,047.65   | -3,585,858,074.31 |
| 4. Impact of exchange rate changes on cash and cash                       | 24,169,806.97     | -19,367,887.88    |
| equivalents 5. Net increase in cash and cash equivalents                  | -26,309,755.06    | 236,610,212.78    |
| Add: Opening balance of cash and cash equivalents                         | 3,168,915,847.02  | 4,389,169,963.79  |
| 6. Balance of cash and cash equivalents at the end of the period          | 3,142,606,091.96  | 4,625,780,176.57  |

## Section 10 Financial Report

## 2. Financial statements (continued)

## 6. Cash flow statement of the parent company

unit: yuan

| project   | Half year 2022   | Half year 2021             |
|---|------------------|----------------------------|
| 1. Cash flow from operating activities:   |                  |                            |
| Cash received from sales of goods and rendering   | 3,937,092,906.31 | 5,570,459,385.98 90,900.00 |
| of services Tax refund  | 9,335,732.78     | 163,966,043.41             |
| received Other cash related to operating activities   | 268,488,989.46   |                            |
| Subtotal of cash inflow from operating activities   | 4,214,917,628.55 | 5,734,516,329.39           |
| The cash paid for the purchase of goods and   | 3,559,003,036.92 | 3,201,957,139.47           |
| services paid to employees and the cash paid for  | 168,707,495.45   | 175,948,976.35             |
| employees to pay taxes  | 146,897,297.11   | 176,576,815.11             |
| and fees other cash related to operating activities   | 255,001,227.95   | 301,406,268.10             |
| Subtotal of cash outflow from operating activities  | 4,129,609,057.43 | 3,855,889,199.03           |
| Net cash flow from operating activities   | 85,308,571.12    | 1,878,627,130.36           |
| 2. Cash flow from investment activities: Cash received  |                  |                            |
| from investment recovery Cash   | -                | 20,000,000.00              |
| received from investment income Cash  | 401,816,698.06   | 2,284,760,273.97           |
| received from disposal of fixed assets, intangible assets and other long-term assets Net cash                       | 3,527,572.65     | 847,248.68                 |
| recovered from other investment activities Related cash received  | -                | 251,414,794.52             |
| Subtotal of cash inflows from investing activities  | 405,344,270.71   | 2,557,022,317.17           |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets Cash paid for | 12,870,064.02    | 882,210,000.00             |
| investment Other cash related to investment activities  | -                | -                          |
| Subtotal of cash outflows from investing activities   | 12,870,064.02    | 882,210,000.00             |
| Net cash flows from investing activities  | 392,474,206.69   | 1,674,812,317.17           |

## Section 10 Financial Report

## 2. Financial statements (continued)

## 6. Cash flow statement of the parent company (continued)

| project  | Half year 2022    | Half year 2021    |
|--|-------------------|-------------------|
| 3. Cash flow from financing activities: Cash                     |                   |                   |
| received from obtaining loans                                    | 10,531,501,508.20 | 10,020,478,661.27 |
| and other cash related to financing activities                   | 247,000,000.00    | 156,665,920.24    |
| Subtotal of cash inflows from financing activities               | 10,778,501,508.20 | 10,177,144,581.51 |
| Cash payments for debt   | 10,584,544,305.53 | 8,736,105,095.52  |
| repayment Dividends, profits or cash payments for interest       | 320,363,139.80    | 219,435,214.79    |
| payments Other cash payments related to financing activities     | 307,022,816.27    | 4,871,112,670.18  |
| Subtotal of cash outflows from financing activities              | 11,211,930,261.60 | 13,826,652,980.49 |
| Net cash flow from financing activities                          | -433,428,753.40   | -3,649,508,398.98 |
| 4. Impact of exchange rate changes on cash and cash equivalents  | 6,179,448.15      | 2,460,284.82      |
| 5. Net increase in cash and cash equivalents                     | 50,533,472.56     | -93,608,666.63    |
| Add: Opening balance of cash and cash equivalents                | 893,454,314.56    | 301,284,723.52    |
| 6. Balance of cash and cash equivalents at the end of the period | 943,987,787.12    | 207,676,056.89    |

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| Project   | Other     | Project   |
|-----------|-----------|-----------|
| Project A | Project A | Project A |
| Project B | Project B | Project B |
| Project C | Project C | Project C |
| Project D | Project D | Project D |
| Project E | Project E | Project E |
| Project F | Project F | Project F |
| Project G | Project G | Project G |
| Project H | Project H | Project H |
| Project I | Project I | Project I |
| Project J | Project J | Project J |
| Project K | Project K | Project K |
| Project L | Project L | Project L |
| Project M | Project M | Project M |
| Project N | Project N | Project N |
| Project O | Project O | Project O |
| Project P | Project P | Project P |
| Project Q | Project Q | Project Q |
| Project R | Project R | Project R |
| Project S | Project S | Project S |
| Project T | Project T | Project T |
| Project U | Project U | Project U |
| Project V | Project V | Project V |
| Project W | Project W | Project W |
| Project X | Project X | Project X |
| Project Y | Project Y | Project Y |
| Project Z | Project Z | Project Z |



## Section 10 Financial Report

### 3. Basic information of the company

#### 1. Company profile

Shandong Chenming Paper Group Co., Ltd. (hereinafter referred to as the "Company" or the "Company") was formerly known as Shandong Shouguang County Paper Mill. In December 1996, approved by the Lu Gai Zi [1996] No. 270 document of the Shandong Provincial People's Government and the Zheng Wei [1996] No. 59 document of the Securities Commission of the State Council, the company was reorganized into a joint stock limited company established through public offering.

In May 1997, approved by the State Council Securities Commission Zhengweifa [1997] No. 26, the company publicly issued 115 million domestically listed foreign shares (B shares). The B shares issued this time were listed and traded on the Shenzhen Stock Exchange on May 26, 1997.

In September 2000, approved by the China Securities Regulatory Commission Zheng Jian Company Zi [2000] No. 151 document, the company issued 70 million RMB ordinary shares (A shares). The newly issued A shares were listed and traded on the Shenzhen Stock Exchange on November 20, 2000.

In June 2008, approved by the Hong Kong Stock Exchange, the company issued 355.7 million H shares. At the same time, the relevant state-owned shareholders of the company transferred 35.57 million shares to the National Council for Social Security Fund and converted them into overseas listed foreign shares (H shares) for the reduction of state-owned shares. The newly issued H shares were listed and traded on the Hong Kong Stock Exchange on June 18, 2008.

As of June 30, 2022, the total share capital of the company has changed to 2,984,208,200 shares, see Note VII. 39 for details.

The company has established a corporate governance structure consisting of a general meeting of shareholders, a board of directors, and a board of supervisors. Currently, it has a manufacturing business center, a supply chain management center, a business department, a marketing department, a financial capital management center, an enterprise management center, a public utility center, a securities investment department, and an audit department. Ministry of Police and other departments.

The company and its subsidiaries are mainly engaged in the processing and sales of paper products such as machine-made paper and cardboard, paper-making raw materials and paper-making machinery, the production and sales of electricity and heat, forest planting, seedling cultivation, wood processing and sales, and the production and processing of wood products and sales, hotel services, equipment financing lease operations, investment real estate and property services, etc.

The financial statements and notes to the financial statements have been approved by the second meeting of the tenth board of directors of the company on August 30, 2022.

#### 2. Scope of consolidated financial statements

There are a total of 75 subsidiaries included in the scope of consolidation of the company in 2022. For details, please refer to Note 9 "Equities in Other Entities". The scope of consolidation of the company this year increased by 1 and decreased by 1 compared with the previous year. For details, please refer to Note 8 "Changes in the scope of consolidation".

Section 10 Financial Report

4. Basis for the preparation of financial statements

1. Compilation basis

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and its application guidelines, interpretations and other relevant regulations (collectively referred to as "Accounting Standards for Business Enterprises"). In addition, the Company also discloses relevant financial information in accordance with the China Securities Regulatory Commission's "Information Disclosure and Reporting Rules for Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports" (revised in 2014).

The financial statements are presented on a going concern basis.

The company's accounting is based on the accrual basis. Except for certain financial instruments, the financial statements are based on historical cost. If assets are impaired, corresponding impairment reserves shall be withdrawn in accordance with relevant regulations.

2. Continued operation

In the 12 months since the end of the reporting period, the company has not had any events or circumstances that cast significant doubts on the company's ability to continue operating.

V. Significant accounting policies and accounting estimates

Tips for specific accounting policies and accounting estimates:

The company and its subsidiaries are engaged in machine-made paper, electricity and heat, building materials, paper chemical supplies, financial leasing, hotel management, etc. Based on the actual production and operation characteristics, the Company and its subsidiaries have formulated several specific accounting policies and accounting estimates for transactions and matters such as revenue recognition, contract performance determination, research and development expenditures, etc., in accordance with the relevant accounting standards for enterprises. 5. 36 Descriptions of "Income". Please refer to Note V. 40 "Changes in Significant Accounting Policies and Accounting Estimates" for the explanation of significant accounting judgments and estimates made by the management.

1. Statement of Compliance with Accounting Standards for Business Enterprises

This financial statement conforms to the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflects the company's consolidated and parent company's financial status on June 30, 2022, as well as the 2022 semi-annual consolidated and parent company's operating results and consolidated and parent company cash flows and other relevant information.

2. Accounting period

The company's accounting period adopts the Gregorian calendar year, that is, from January 1 to December 31 every year.

3. Business cycle

The company's operating cycle is 12 months.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 4. Bookkeeping currency

The Company and its domestic subsidiaries use Renminbi as the functional currency for bookkeeping. The company's overseas subsidiaries determine the US dollar, Japanese yen, euro, and Korean won as their bookkeeping functional currencies according to the currencies in the main economic environment in which they operate. The currency used by the Company to prepare the financial statements is Renminbi.

#### 5. Accounting treatment methods for business combinations under common control and not under common control

##### (1) Business combination under the same control

For a business combination under the same control, the assets and liabilities of the merged party acquired by the merging party in the merger, except for adjustments made due to different accounting policies, shall be calculated according to the book value of the merged party in the consolidated financial statements of the ultimate controlling party on the merger date. value measurement. The difference between the book value of the merger consideration (or the total par value of issued shares) and the book value of the net assets obtained in the merger adjusts the capital reserve (share premium/capital premium), and if the capital reserve (share premium/capital premium) is insufficient to offset, Adjust retained earnings.

##### Step-by-step realization of the business combination under the same control through multiple transactions

In individual financial statements, the initial investment cost of the investment shall be the share of the book value of the merged party's net assets in the consolidated financial statements of the ultimate controlling party calculated on the basis of the shareholding ratio on the merger date; The difference between the book value of the previously held investment and the sum of the book value of the newly paid consideration on the merger date shall be adjusted to the capital reserve (share premium/capital premium), and if the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

In the consolidated financial statements, the assets and liabilities of the merged party obtained by the merging party during the merger shall be measured at the book value in the consolidated financial statements of the ultimate controlling party on the merger date, except for adjustments made due to different accounting policies; The difference between the book value of the investment held plus the book value of the newly paid consideration on the merger date and the book value of the net assets obtained in the merger is adjusted to the capital reserve (share premium/capital premium), and if the capital reserve is insufficient to offset, to adjust retained earnings. For the long-term equity investment held by the merging party before obtaining the control of the merged party, the relationship between the date of obtaining the original equity and the date when the merging party and the merged party are under the ultimate control of the same party, whichever is later, has been confirmed to the date of merger. Profit and loss, other comprehensive income and other changes in owner's equity shall be offset against the retained earnings at the beginning of the comparative statement period or the current profit and loss respectively.

##### (2) Business combination not under the same control

For a business combination not under common control, the cost of the combination is the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued to obtain control of the acquiree on the purchase date. On the purchase date, the acquired assets, liabilities and contingent liabilities of the acquired party are recognized at fair value.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 5. Accounting treatment methods for business combinations under common control and not under common control (continued)

##### (2) Business combination not under common control (continued)

The difference between the combination cost and the fair value share of the identifiable net assets of the acquiree obtained in the combination shall be recognized as goodwill, and the subsequent measurement shall be carried out at the cost of deducting the accumulated impairment provision; The difference in the fair value share of the net assets shall be included in the current profit and loss after review.

##### Step-by-step realization of business combinations not under the same control through multiple transactions

In individual financial statements, the sum of the book value of the equity investment in the acquiree held before the date of purchase and the newly added investment cost on the date of purchase is used as the initial investment cost of the investment. The equity investment held before the purchase date is recognized by using the equity method for other comprehensive income. This part of other comprehensive income will not be dealt with on the purchase date. When disposing of this investment, the same method as the investee's direct disposal of related assets or liabilities shall be adopted. Accounting treatment is carried out on a basic basis; the owner's equity recognized due to changes in the investee's other owner's equity other than net profit and loss, other comprehensive income and profit distribution, is transferred to the current profit and loss during the disposal period when the investment is disposed of. If the equity investment held before the purchase date is measured at fair value, the accumulated changes in fair value originally included in other comprehensive income will be transferred to retained earnings when it is accounted for using the cost method.

In the consolidated financial statements, the combination cost is the sum of the consideration paid on the purchase date and the fair value of the acquired party's equity held before the purchase date on the purchase date. For the equity of the acquired party held before the purchase date, it shall be remeasured according to the fair value of the equity on the purchase date, and the difference between the fair value and its book value shall be included in the current income; The purchaser's equity involves other comprehensive income, and other changes in owner's equity are converted into current income on the purchase date, except for other comprehensive income arising from changes in net liabilities or net assets of the investee's remeasured defined benefit plan.

##### (3) Treatment of transaction costs in business mergers

Intermediary fees such as auditing, legal services, evaluation and consultation, and other related management expenses incurred for business mergers are included in the current profit and loss when incurred. The transaction costs of equity securities or debt securities issued as consideration for the merger shall be included in the initial recognition amount of equity securities or debt securities.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 6. Preparation method of consolidated financial statements

##### (1) Scope of consolidation

The scope of consolidation of consolidated financial statements is determined on the basis of control. Control means that the company has power over the invested unit, enjoys variable returns by participating in the relevant activities of the invested unit, and has the ability to use its power over the invested unit to affect its return amount. Subsidiaries refer to entities controlled by the Company (including enterprises, divisible parts of invested units, structured entities, etc.).

##### (2) Preparation method of 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 materials. When preparing the consolidated financial statements, the accounting policies and accounting periods of the Company and its subsidiaries shall be consistent, and major transactions and balances between companies shall be offset.

Subsidiaries and businesses increased due to business combinations under the same control during the reporting period are deemed to be included in the scope of consolidation of the company from the date when the subsidiaries and businesses are under the same control of the ultimate controller. The operating results and cash flows since the date of the date are included in the consolidated income statement and the consolidated cash flow statement respectively.

During the reporting period, for subsidiaries and businesses increased due to business combinations not under common control, the income, expenses and profits of the subsidiaries and businesses from the purchase date to the end of the reporting period shall be included in the consolidated income statement, and their cash flows shall be included in the consolidated cash flow statement.

The part of the subsidiary's shareholders' equity that does not belong to the company is listed separately as minority shareholders' equity under the shareholder's equity item in the consolidated balance sheet; In the table, under the item of net profit, it is listed under the item of "Minority Shareholders' Profit and Loss". If the losses of the subsidiaries shared by the minority shareholders exceed the share enjoyed by the minority shareholders in the initial owner's equity of the subsidiary, the balance still offsets the minority shareholders' equity.

##### (3) Purchasing minority shareholders' equity in subsidiaries

The difference between the newly acquired long-term equity investment cost due to the purchase of minority equity and the net asset share of the subsidiary that shall be continuously calculated from the purchase date or the merger date calculated according to the newly increased shareholding ratio, and if the control right is not lost. The difference between the disposal price obtained due to the partial disposal of the equity investment in the subsidiary and the share of net assets of the subsidiary that has been continuously calculated since the purchase date or the merger date corresponding to the disposal of the long-term equity investment shall be adjusted in the consolidated balance sheet Capital reserve (share capital premium), if the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

##### (4) Handling of loss of control over subsidiaries

If the control of the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity is remeasured according to its fair value on the date of loss of control; the sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus Calculated according to the original shareholding ratio, the sum of the share of the book value of the net assets of the original subsidiary that has been continuously calculated since the purchase date and the goodwill, and the difference formed is included in the investment income of the current period when the control is lost.

Other comprehensive income related to the equity investment of the original subsidiary shall be transferred to the current profit and loss when control is lost, except for other comprehensive income arising from changes in the net liabilities or net assets of the investee's remeasurement of the defined income plan.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

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

A joint arrangement refers to an arrangement under the joint control of two or more parties. The joint venture arrangement of the Company is divided into joint operation and joint venture.

##### (1) Joint operation

Joint operation refers to a joint arrangement in which the Company enjoys the assets related to the arrangement and assumes the liabilities related to the arrangement.

The company confirms the following items related to the interest share in the joint operation, and conducts accounting treatment in accordance with the provisions of the relevant accounting standards for enterprises:

- A. Confirm the assets held separately and the assets jointly held according to their shares;
- B. Confirm the liabilities assumed individually and the liabilities assumed jointly according to their shares;
- C. Recognition of the income generated from the sale of its share of the output of the joint operation;
- D. Recognize the income generated by the joint operation from the sale of output according to its share;
- E. Confirm the expenses incurred independently and the expenses incurred in joint operation according to its share.

##### (2) Joint venture

A joint venture refers to a joint arrangement in which the Company only has rights to the net assets of the arrangement.

The company conducts accounting treatment for the investment in joint ventures in accordance with the provisions of equity method accounting for long-term equity investment.

#### 8. Determination criteria for cash and cash equivalents

Cash refers to cash on hand and deposits that are readily available for payment. Cash equivalents refer to short-term, highly liquid investments held by the Company, which are easily convertible into known amounts of cash and have little risk of value change.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

9. Foreign currency business and translation of foreign currency statements

(1) Foreign currency business

When the company conducts foreign currency business, it shall be converted into the functional currency amount according to the spot exchange rate on the transaction date.

On the balance sheet date, foreign currency monetary items are converted 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 on the initial recognition or the previous balance sheet date shall be included in the current profit and loss; for non-monetary items in foreign currencies measured at historical cost, the transaction shall still be adopted. Conversion at the spot exchange rate on the date of occurrence; for foreign currency non-monetary items measured at fair value, the spot exchange rate on the date when the fair value is determined is used for conversion, and the difference between the converted bookkeeping functional currency amount and the original bookkeeping functional currency amount The nature of non-monetary items is included in current profit or loss or other comprehensive income.

(2) Translation of foreign currency financial statements

On the balance sheet date, when translating foreign currency financial statements of overseas subsidiaries, the asset and liability items in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. Except for "undistributed profit", other items of shareholders' equity shall be The spot exchange rate on the date of occurrence is used for conversion.

The income and expense items in the income statement shall be converted at the spot exchange rate on the transaction date.

All items in the cash flow statement are converted at the spot exchange rate on the cash flow occurrence date. The impact of exchange rate changes on cash is taken as a reconciling item, which is reflected in the item "influence of exchange rate changes on cash and cash equivalents" separately in the cash flow statement.

The difference arising from the translation of the financial statements is reflected in the "other comprehensive income" item under the shareholder's equity item in the balance sheet.

When disposing of an overseas operation and losing control, the foreign currency statement translation difference related to the overseas operation listed under the owner's equity item in the balance sheet shall be transferred to the current profit or loss of the disposal in full or in proportion to the disposal of the overseas operation.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 10. Financial instruments

A financial instrument is a contract that forms a financial asset of one party and a financial liability or equity instrument of the other party.

##### (1) Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

Financial assets that meet one of the following conditions shall be derecognized:

• The contractual right to receive the cash flow of the financial asset is terminated;

• The financial asset has been transferred and meets the conditions for derecognition of the transfer of financial assets described below.

If all or part of the current obligation of a financial liability has been discharged, the financial liability or a part thereof shall be derecognized. If the company (debtor) and the creditor sign an agreement to replace the existing financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities and the existing financial liabilities are substantially different, the recognition of the existing financial liabilities shall be terminated and the new financial liabilities shall be recognized at the same time. debt.

Financial assets are purchased and sold in a conventional manner, and accounting confirmation and derecognition are performed on the transaction date.

##### (2) Classification and measurement of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the company divides financial assets into the following three categories at the time of initial recognition: financial assets measured at amortized cost, financial assets measured at fair value and whose changes are included in other Comprehensive income financial assets, financial assets measured at fair value and whose changes are included in current profit and loss.

##### Financial assets measured at amortized cost

The Company classifies financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets at amortized cost:

The company's business model for managing the financial assets is to collect contractual cash flow as the goal;

The contractual terms of the financial asset provide that cash flows arising on specified dates are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, such financial assets are measured at amortized cost using the effective interest rate method. Gains or losses arising from financial assets that are measured at amortized cost and are not part of any hedging relationship are included in current profit or loss when they are derecognized, amortized in accordance with the effective interest rate method, or are recognized for impairment.



## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 10. Financial instruments (continued)

##### (2) Classification and measurement of financial assets (continued)

##### Financial assets measured at fair value through other comprehensive income

The Company classifies financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets at fair value through other comprehensive income:

The company's business model for managing the financial asset is aimed at both collecting contractual cash flow and selling the financial asset;

The contractual terms of the financial asset provide that cash flows arising on specified dates are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the subsequent measurement of this type of financial assets shall be carried out at fair value. Interest, impairment losses or gains and exchange gains and losses calculated using the effective interest rate method are included in current profit and loss, and other gains or losses are included in other comprehensive income. When derecognition is terminated, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in current profit and loss.

##### Financial assets measured at fair value through profit or loss

Except for the above-mentioned financial assets measured at amortized cost and at fair value through other comprehensive income, the company classifies all other financial assets as financial assets at fair value through current profit and loss. At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the company irrevocably designates some financial assets that should have been measured at amortized cost or at fair value with changes included in other comprehensive income as measured at fair value. Financial assets whose changes are included in the current profit and loss.

After the initial recognition, such financial assets are subsequently measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in current profit and loss, unless the financial asset is part of a hedging relationship.

The business model for managing financial assets refers to how the company manages financial assets to generate cash flows. The business model determines whether the source of the cash flow of financial assets managed by the company is to collect contractual cash flow, sell financial assets or both. The company determines the business model for managing financial assets based on objective facts and the specific business objectives for managing financial assets determined by key management personnel.

The company evaluates the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by relevant financial assets on a specific date are only payments of principal and interest based on the outstanding principal amount. Among them, principal refers to the fair value of the financial asset at the time of initial recognition; interest includes consideration for the time value of money, credit risk associated with the amount of principal outstanding for a specific period, and other basic lending risks, costs and profits. In addition, the company evaluates the contract terms that may lead to changes in the time distribution or amount of the cash flow of the financial asset contract to determine whether it meets the requirements of the above-mentioned contract cash flow characteristics.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

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

Only when the company changes the business model of managing financial assets, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes, otherwise financial assets shall not be reclassified after initial recognition .

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction costs are directly included in current profit or loss; for other types of financial assets, relevant transaction costs are included in the initially recognized amount. For accounts receivable arising from the sale of products or provision of labor services that do not include or consider significant financing components, the Company shall take the amount of consideration that it is expected to be entitled to receive as the initial confirmation amount.

(3) Classification and measurement of financial liabilities

The company's financial liabilities are classified into: financial liabilities measured at fair value through profit or loss, and financial liabilities measured at amortized cost. For financial liabilities that are not classified as measured at fair value and whose changes are included in current profit or loss, relevant transaction costs are included in their initial confirmation amount.

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities at initial recognition designated at fair value through profit or loss. For such financial liabilities, follow-up measurement shall be carried out according to the fair value, and the gains or losses arising from changes in fair value as well as dividends and interest expenses related to such financial liabilities shall be included in the current profit and loss.

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, and the gains or losses arising from derecognition or amortization are included in current profit and loss.

The distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

- A contractual obligation to deliver cash or other financial assets to another party.
  - The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially adverse conditions.
  - Non-derivative contracts that must be settled with or can be settled with the company's own equity instruments in the future, and the company will deliver a variable amount of own equity instruments.
  - Derivatives contracts that must be or can be settled with the company's own equity instruments in the future, but a fixed number of its own equity instruments are exchanged for a fixed amount
- The exception is derivative contracts for amounts of cash or other financial assets.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 10. Financial instruments (continued)

##### (3) Classification and measurement of financial liabilities (continued)

The distinction between financial liabilities and equity instruments (continued)

Equity instrument refers to a contract that can prove the ownership of the residual interest in the assets of an enterprise after deducting all liabilities.

A contractual obligation meets the definition of a financial liability if the Company cannot unconditionally avoid delivering cash or other financial assets to fulfill a contractual obligation.

If a financial instrument must be or can be settled with the company's own equity instruments, it is necessary to consider whether the company's own equity instruments used to settle the instrument are used as a substitute for cash or other financial assets, or to make the instrument holder A residual interest in the assets of the issuer after deducting all liabilities. If it is the former, the instrument is a financial liability of the Company; if it is the latter, the instrument is an equity instrument of the Company.

##### (4) Fair value of financial instruments

For the determination method of fair value of financial assets and financial liabilities, please refer to Note V.41.

##### (5) Impairment of financial assets

Based on the expected credit loss, the company conducts impairment accounting treatment for the following items and confirms the loss provision:

Financial assets measured at amortized cost;

Receivables and debt investments measured at fair value through other comprehensive income;

Contract assets defined in Accounting Standards for Business Enterprises No. 14 - Revenue;

lease receivables;

Financial guarantee contracts (except for those measured at fair value through current profit or loss, financial asset transfers that do not meet the conditions for derecognition, or those formed by continuing involvement in the transferred financial assets).

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 10. Financial instruments (continued)

##### (5) Impairment of financial assets (continued)

###### Measurement of expected credit losses

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and all cash flows expected to be received by the company discounted at the original actual interest rate, that is, the present value of all cash shortfalls.

The company considers reasonable and well-founded information about past events, current conditions, and forecasts of future economic conditions, and uses the risk of default as the weight to calculate the difference between the cash flow receivable by the contract and the cash flow expected to be received. The probability-weighted amount of the present value of the recognized expected credit loss.

The Company measures the expected credit losses of financial instruments at different stages separately. If the credit risk of the financial instrument has not increased significantly since the initial recognition, it is in the first stage, and the company measures the loss provision according to the expected credit loss within the next 12 months; the credit risk of the financial instrument has increased significantly since the initial recognition but no credit reduction has occurred. If the value of the financial instrument is in the second stage, the company shall measure the loss provision according to the expected credit loss of the entire duration of the instrument; if the financial instrument has suffered credit impairment since the initial recognition, it is in the third stage, and the company shall measure the loss provision according to the expected credit loss of the entire duration of the instrument. The expected credit losses measure the loss allowance.

For financial instruments with low credit risk on the balance sheet date, the company assumes that the credit risk has not increased significantly since the initial recognition, and measures the loss provision based on the expected credit loss within the next 12 months.

The expected credit loss of the entire duration refers to the expected credit loss caused by all possible default events during the entire expected duration of the financial instrument. The expected credit loss in the next 12 months refers to the financial instrument default event that may occur within 12 months after the balance sheet date (if the expected duration of the financial instrument is less than 12 months, it is the expected duration). Expected credit losses are part of the lifetime expected credit losses.

When measuring expected credit losses, the longest period that the company needs to consider is the longest contract period for which the enterprise is exposed to credit risk (including consideration of renewal options).

For financial instruments in the first and second stages and with relatively low credit risk, the Company calculates interest income based on its book balance and actual interest rate without deduction of impairment provisions. For financial instruments in the third stage, the interest income is calculated according to the book balance minus the amortized cost and the actual interest rate after the depreciation provision has been withdrawn.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(5) Impairment of financial assets (continued)

Notes receivable, accounts receivable

For notes receivable and accounts receivable, regardless of whether there is a significant financing component, the company always measures its loss provision at an amount equivalent to the expected credit loss during the entire duration.

When a single financial asset cannot assess the expected credit loss information at a reasonable cost, the company divides the notes receivable and accounts receivable into combinations based on the credit risk characteristics, and calculates the expected credit loss on the basis of the combination. The basis for determining the combination is as follows:

A. Notes receivable

Notes Receivable Portfolio 1: Bank Acceptance Draft

Notes Receivable Portfolio 2: Commercial Acceptance Bill

B. Accounts receivable

Accounts receivable group 1: Receivables from related party customers

Accounts receivable portfolio 2: Receivables from unrelated party customers

Accounts receivable portfolio 3: Factoring receivables

For the bills receivable and contract assets classified into portfolios, the Company refers to the historical credit loss experience, combines the current situation and the forecast of the future economic situation, and calculates the expected credit loss through the default risk exposure and the expected credit loss rate of the entire duration.

For the accounts receivable classified into portfolios, the company refers to the historical credit loss experience, combines the current situation and the forecast of the future economic situation, and compiles the comparison table of the aging/overdue days of accounts receivable and the expected credit loss rate of the entire duration. Calculate expected credit losses.

other receivables

The company divides other receivables into several combinations according to the characteristics of credit risk, and calculates the expected credit loss on the basis of the combination. The basis for determining the combination is as follows:

Other receivables group 1: Receivables from government agencies

Other receivables group 2: Receivables from related parties

Other receivables group 3: Other receivables

For other receivables classified as portfolios, the Company calculates the expected credit loss based on the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(5) Impairment of financial assets (continued)

Long-term receivables

The company's long-term receivables include financial lease receivables, security deposits receivable, etc.

The company divides the financial lease receivables, deposit receivables and other funds into several groups according to the credit risk characteristics, and calculates the expected credit loss on the basis of the groups. The basis for determining the groups is as follows:

A. Finance lease receivables

Financial lease payment combination 1: receivables from customers who are not overdue

Finance lease portfolio 2: receivables from overdue customers

B. Other long-term receivables

Other long-term receivables portfolio 1: margin receivable

Other long-term receivables portfolio 2: Other receivables

For deposit receivables and project receivables, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates expected credit losses through default risk exposure and expected credit loss rate for the entire duration.

For other receivables and long-term receivables divided into combinations other than finance lease receivables and security deposits receivable, the expected credit is calculated based on the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration loss.

Debt investment, other debt investment

For debt investment and other debt investments, the company calculates the expected credit loss based on the nature of the investment, the counterparty and the various types of risk exposure, through the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration .

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 10. Financial instruments (continued)

##### (5) Impairment of financial assets (continued)

###### Assessment of Significant Increase in Credit Risk

The company compares the default risk of financial instruments on the balance sheet date with the risk of default on the initial recognition date to determine the relative change in the default risk of financial instruments during the expected duration, and to assess the credit risk of financial instruments since initial recognition. has increased significantly since then.

When determining whether credit risk has increased significantly since initial recognition, the Company considers reasonable and evidence-based information that can be obtained without unnecessary additional cost or effort, including forward-looking information. Information considered by the Company includes:

The debtor fails to pay the principal and interest on the due date of the contract;

A significant deterioration in the financial instrument's external or internal credit rating, if any, that has occurred or is expected;

A serious deterioration in the debtor's operating results that has occurred or is expected;

Existing or expected technological, market, economic or legal environment changes will have a significant adverse impact on the debtor's ability to repay the company.

According to the nature of financial instruments, the company assesses whether the credit risk has increased significantly based on a single financial instrument or a combination of financial instruments. When evaluating based on a combination of financial instruments, the Company can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

If the overdue exceeds 30 days, the company determines that the credit risk of the financial instrument has increased significantly.

###### Credit-impaired financial assets

On the balance sheet date, the company evaluates whether the financial assets measured at amortized cost and the debt investment measured at fair value and whose changes are included in other comprehensive income have been credit-impaired. When one or more events that have an adverse effect on the expected future cash flow of a financial asset occurs, the financial asset becomes a financial asset that has been credit-impaired. Evidence that financial assets have been credit-impaired includes the following observable information:

The issuer or debtor encounters major financial difficulties;

The debtor breaches the contract, such as default or overdue payment of interest or principal;

The Company grants a concession to the debtor which it would not have made under any other circumstances, for reasons of economic or contractual considerations related to the debtor's financial difficulties;

The debtor is likely to enter bankruptcy or other financial reorganization;

Financial difficulties of the issuer or obligor lead to the disappearance of an active market for the financial asset.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 10. Financial instruments (continued)

##### (5) Impairment of financial assets (continued)

###### Presentation of provision for expected credit losses

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the company remeasures the expected credit loss on each balance sheet date, and the resulting increase or reversal of the loss provision should be recorded as an impairment loss or gain, included in current profit and loss. For financial assets measured at amortized cost, the loss provision is offset against the book value of the financial asset listed in the balance sheet; for debt investments measured at fair value and whose changes are included in other comprehensive income, the company The loss provision recognized in the income shall not offset the book value of the financial asset.

###### write off

If the company no longer reasonably expects that the cash flow of the financial asset contract can be recovered in whole or in part, it will directly write down the book balance of the financial asset. Such a write-down constitutes derecognition of the related financial asset. This usually occurs when the Company determines that the debtor has no assets or sources of income that will generate sufficient cash flow to repay the amount to be written down. However, according to the company's procedures for recovering due payments, the written-down financial assets may still be affected by execution activities.

If a financial asset that has been written down is recovered later, the reversal of the impairment loss shall be included in the profit or loss of the current period of recovery.

##### (6) Transfer of financial assets

The transfer of financial assets refers to the assignment or delivery of a financial asset to another party (the transferee) other than the issuer of the financial asset.

If the company has transferred almost all the risks and rewards of ownership of the financial asset to the transferee, the financial asset will be derecognized; if it has retained almost all the risks and rewards of the ownership of the financial asset, the financial asset will not be derecognized.

If the company neither transfers nor retains almost all the risks and rewards of ownership of the financial asset, it shall be dealt with in the following situations: if it has given up control over the financial asset, it shall derecognize the financial asset and recognize the resulting assets and liabilities; If the financial asset is controlled, the relevant financial asset shall be recognized according to the degree of its continuous involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

##### (7) Offset of financial assets and financial liabilities

When the company has the legal right to offset the recognized financial assets and financial liabilities, and the legal right can be implemented at present, and the company plans to settle the financial assets and liquidate the financial liabilities at the same time, the financial assets and financial liabilities Financial liabilities are presented in the balance sheet at the amount after offsetting each other. In addition, financial assets and financial liabilities are listed separately in the balance sheet and shall not be offset against each other.



Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

11. Notes receivable

Determination method of expected credit loss of notes receivable

The company measures the loss provision for the notes receivable according to the expected credit loss amount equivalent to the entire duration. Based on the credit risk characteristics of notes receivable, they are divided into different combinations:

| project                | The basis for determining the combination       |
|------------------------|---|
| banker's acceptance    | The acceptor is a bank with less credit risk    |
| trade acceptance draft | The acceptor is a company with high credit risk |

12. Accounts receivable

The Determination Method of Expected Credit Loss of Accounts Receivable

For accounts receivable and contract assets that do not contain significant financing components, the Company measures the loss provision at the amount equivalent to the expected credit loss during the entire duration.

For receivables, contract assets and lease receivables that contain significant financing components, the company chooses to always measure the loss provision at an amount equivalent to the expected credit loss during the duration.

In addition to the accounts receivable and contract assets that are individually assessed for credit risk, they are divided into different combinations based on their credit risk characteristics:

| project                           | The basis for determining the combination  |
|-----------------------------------|--|
| Amounts due from related parties  | This combination is the accounts receivable from related parties with relatively low risk. |
| Factoring receivables             | This combination is factoring receivable with special risks.                               |
| Amounts due from dealer customers | This portfolio uses the age of accounts receivable as the credit risk feature.             |

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

13. Accounts receivable financing

Notes receivable and accounts receivable classified as measured at fair value and whose changes are included in other comprehensive income are listed as receivables financing within one year (including one year) from the date of acquisition. For the relevant accounting policies, please refer to Note V. 10 Financial Instruments.

14. Other receivables

Determination method and accounting treatment method of expected credit loss of other receivables

Based on whether the credit risk of other receivables has increased significantly since the initial recognition, the company uses an amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss. Except for other receivables whose credit risk is evaluated individually, they are divided into different groups based on their credit risk characteristics:

| project                              | The basis for determining the combination   |
|--------------------------------------|---|
| dividend receivable                  | This combination is dividend receivable.  |
| interest receivable                  | This combination is interest receivable from financial institutions.  |
| Receivables from government agencies | This combination is the amount receivable from government agencies with low risk.   |
| Receivables from related parties     | This combination is the amount receivable from related parties with relatively low risk.  |
| Other receivables                    | This combination includes all kinds of deposits, advances on behalf, and quality assurance deposits that should be collected in daily activities. |

15. Inventory

(1) Classification of inventory

The company's inventory is divided into raw materials, work in progress, goods in stock, development products, consumable biological assets, etc.

(2) Valuation method of issued inventory

The company's inventories are priced at actual cost when they are acquired. The weighted average method is used for valuation of raw materials and inventory goods when they are delivered.

Consumable biological assets refer to biological assets held without sale, including growing forests, etc. Consumable biological assets are initially measured at historical cost before the accumulated amount is formed, and are measured at fair value after the accumulated amount is formed, and changes in fair value are included in current profit and loss. The cost of self-cultivated and constructed consumable biological assets refers to the necessary expenditures that are directly attributable to the asset before the closure of the asset, including borrowing costs that meet the capitalization conditions. Subsequent expenses such as management and protection of consumable biological assets after closure are included in the current profit and loss.

When the consumable biological assets are harvested or sold, the cost shall be carried forward according to the book value by adopting the stock volume ratio method.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 15. Inventory (continued)

##### (3) The basis for determining the net realizable value of inventories and the method of accruing inventory depreciation reserves

The net realizable value of inventories is the amount after deducting the estimated selling price of the inventories from the estimated costs to be incurred at the time of completion, estimated sales expenses and relevant taxes.

When determining the net realizable value of inventories, it shall be based on the obtained conclusive evidence, while considering the purpose of holding inventories and the impact of events after the balance sheet date.

On the balance sheet date, if the inventory cost is higher than its net realizable value, the inventory depreciation reserve shall be withdrawn. The Company usually makes provision for inventory depreciation according to the category of inventory items. On the balance sheet date, if the factors affecting the previous reduction of inventory value have disappeared, the provision for inventory depreciation will be reversed within the amount that has been withdrawn.

##### (4) Inventory inventory system

The inventory system of the Company adopts the perpetual inventory system.

##### (5) Amortization method of low-value consumables and packaging

The company's low-value consumables are amortized using the one-time write-off method when they are used.

The one-off amortization is included in the cost when the revolving packaging is used.

#### 16. Contract assets

Contract assets refer to the Company's right to receive consideration for the goods it has transferred to the customer, and the right depends on factors other than the passage of time. Receivables are represented by the company's unconditional (ie, dependent only on the passage of time) right to receive consideration from the customer.

For details of the company's determination method and accounting treatment method for the expected credit loss of contract assets, please refer to V. 10 Financial Instruments.

#### 17. Contract costs

Contract costs include incremental costs for obtaining contracts and contract performance costs.

Incremental costs for obtaining contracts refer to costs that would not have occurred if the company had not obtained contracts (such as sales commissions, etc.). If the cost is expected to be recoverable, the company will recognize it as an asset as a contract acquisition cost. The company's expenditures other than the incremental costs that are expected to be recovered for the purpose of obtaining the contract are included in the current profit and loss when incurred.

If the cost incurred for the performance of the contract does not belong to the scope of other accounting standards for enterprises such as inventory and meets the following conditions at the same time, the company will recognize it as a contract performance cost as an asset:

• The costs are directly related to a current or anticipated contract and include direct labor, direct materials, manufacturing overhead (or similar), defined

Costs borne by the customer and other costs incurred solely as a result of this contract;

• The cost increases the company's future resources for fulfilling performance obligations;

• The cost is expected to be recovered.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 17. Contract costs (continued)

Assets recognized as contract acquisition costs and contract performance costs (hereinafter referred to as "assets related to contract costs") are amortized on the same basis as the revenue recognition of goods or services related to the assets, and included in current profit and loss. If the amortization period does not exceed one year, it will be included in the current profit and loss when incurred.

When the book value of the asset related to the contract cost is higher than the difference between the following two items, the company shall withdraw impairment provision for the excess part and recognize it as asset impairment loss:

y The remaining consideration that the company expects to obtain due to the transfer of goods or services related to the asset;

y Estimated costs to be incurred for the transfer of the relevant goods or services.

For contract performance costs recognized as assets, the amortization period at initial recognition does not exceed one year or a normal operating cycle, and it is listed in the "inventory" item. The amortization period at initial recognition exceeds one year or a normal operating cycle, and is listed in "Other non-current assets" item listed.

The contract acquisition cost recognized as an asset has an amortization period of not more than one year or a normal operating cycle at initial recognition, and is listed in the item "Other current assets", and the amortization period at initial recognition exceeds one year or a normal operating cycle. Listed in "Other Non-Current Assets".

#### 18. Assets held for sale

When the Company mainly recovers its book value through sale (including non-monetary asset exchange with commercial substance) rather than continuous use of a non-current asset or disposal group, the non-current asset or disposal group is classified as held for sale.

The above-mentioned non-current assets do not include investment real estate that adopts the fair value model for subsequent measurement, biological assets measured by the net amount of fair value minus sales expenses, assets formed by employee compensation, financial assets, deferred income tax assets and insurance contracts resulting rights.

Disposal group refers to a group of assets disposed of as a whole through sale or other means in a transaction, and the liabilities directly related to these assets transferred in the transaction. Under certain circumstances, the disposal group includes goodwill acquired in a business combination, etc.

Non-current assets or disposal groups that meet the following conditions at the same time are classified as held for sale: According to the practice of selling such assets or disposal groups in similar transactions, the non-current assets or disposal groups can be sold immediately under the current conditions; It is very likely to happen, that is, a resolution has been made on a sale plan and a firm purchase commitment has been obtained, and the sale is expected to be completed within one year. If the control over the subsidiary is lost due to the sale of the investment in the subsidiary or other reasons, no matter whether the company retains part of the equity investment after the sale, when the investment in the subsidiary to be sold meets the conditions for the classification of the held-for-sale category, in individual In the financial statements, the overall investment in subsidiaries is classified as held for sale, and in the consolidated financial statements, all assets and liabilities of subsidiaries are classified as held for sale.

When the non-current assets or disposal groups held for sale are initially measured or remeasured on the balance sheet date, the difference between the book value and the net amount after the fair value minus the selling expenses is recognized as an asset impairment loss. For the asset impairment losses confirmed by the disposal group held for sale, the book value of the goodwill in the disposal group shall be offset first, and then the proportion of the book value of each non-current asset in the disposal group shall be offset in proportion. Book value.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

18. Assets held for sale (continued)

If the net amount of the non-current assets held for sale or the fair value of the disposal group minus the sale expenses on the subsequent balance sheet date increases, the previously written-down amount shall be recovered, and the assets shall be recognized after being classified as held for sale. The amount of impairment loss is reversed, and the reversed amount is included in the current profit and loss. The book value of goodwill that has been deducted cannot be reversed.

Non-current assets held for sale and assets in the disposal group held for sale are not depreciated or amortized; interests and other expenses of liabilities in the disposal group held for sale continue to be recognized. For all or part of the investment in associates or joint ventures that are classified as held for sale, the equity method accounting for the part classified as held for sale shall be stopped, and the remaining part (not classified as held for sale) shall continue to be accounted for Equity method of accounting; when the company loses significant influence on associates and joint ventures due to sales, the equity method should be discontinued.

If a certain non-current asset or disposal group is classified as held for sale, but later no longer satisfies the conditions for classifying it as held for sale, the company stops classifying it as held for sale and calculates the following two amounts: The lower of the two measures:

- (1) The book value of the asset or disposal group before it is classified as held for sale is adjusted according to the depreciation, amortization or impairment that should have been recognized if it was not classified as held for sale the amount after
- (2) Recoverable amount.

19. Long-term receivables

Based on whether its credit risk has increased significantly since the initial recognition, the company uses an amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss of long-term receivables. In addition to the long-term receivables whose credit risk is evaluated individually, they are divided into different combinations based on their credit risk characteristics:

| project                         | The basis for determining the combination   |
|---------------------------------|---|
| Unoverdue long-term receivables | This combination is long-term receivables with normal risks and no overdue risks. |
| Overdue long-term receivables   | This portfolio is long-term receivables with high overdue risk.                   |

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

20. Long-term equity investment

Long-term equity investment includes equity investment in subsidiaries, joint ventures and associates. If the company can exert significant influence on the invested unit, it is an associated enterprise of the company.

(1) Determination of initial investment cost

Long-term equity investment resulting from a business combination: for a long-term equity investment acquired through a business combination under common control, the investment cost shall be the share of the book value of the owner's equity of the merged party in the consolidated financial statements of the ultimate controlling party on the date of combination; For long-term equity investment acquired through business combination, the investment cost of the long-term equity investment shall be the combination cost.

For long-term equity investment obtained by other means: for long-term equity investment obtained by paying cash, the actual purchase price paid shall be regarded as the initial investment cost; for long-term equity investment obtained by issuing equity securities, the fair value of the issued equity securities shall be regarded as the initial investment cost .

(2) Subsequent measurement and profit and loss recognition method

Investments in subsidiaries are accounted for using the cost method, unless the investment meets the conditions of being held for sale; investments in associates and joint ventures are accounted for using the equity method.

For long-term equity investments accounted for using the cost method, in addition to the cash dividends or profits declared but not yet distributed included in the actual payment when the investment is acquired or included in the consideration, the cash dividends or profits declared to be distributed by the invested unit are recognized as investment income. included in current profit and loss.

For a long-term equity investment accounted for using the equity method, if the initial investment cost is greater than the share of the fair value of the investee's identifiable net assets that should be enjoyed by the investee at the time of investment, the investment cost of the long-term equity investment will not be adjusted; When identifying the fair value share of the net assets, the book value of the long-term equity investment shall be adjusted, and the difference shall be included in the current profit and loss of the investment.

When the equity method is used for accounting, the investment income and other comprehensive income shall be recognized respectively according to the share of the net profit or loss and other comprehensive income realized by the invested unit that shall be enjoyed or shared, and the book value of the long-term equity investment shall be adjusted at the same time; The book value of the long-term equity investment shall be correspondingly reduced for the distributed profit or cash dividend calculation; the book value of the long-term equity investment shall be adjusted for changes in the owner's equity other than net profit or loss, other comprehensive income and profit distribution of the investee. Included in capital reserve (other capital reserve). When confirming the share of the net profit or loss of the invested unit, it is based on the fair value of the investee's identifiable assets when the investment is obtained, and in accordance with the company's accounting policies and accounting periods, the net profit of the invested unit Confirm after making adjustments.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

20. Long-term equity investment (continued)

(2) Subsequent measurement and profit and loss recognition method (continued)

If due to additional investment or other reasons, it is possible to exert a significant influence on the invested unit or implement joint control but does not constitute control, on the conversion date, the sum of the fair value of the original equity plus the newly added investment cost shall be used as the initial cost of accounting for the equity method. cost of investment. If the original equity is classified as a non-trading equity instrument investment measured at fair value and whose changes are included in other comprehensive income, the related accumulative fair value changes originally included in other comprehensive income are transferred to retained earnings when accounting is changed to the equity method .

If the joint control or significant influence on the invested unit is lost due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be changed to "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" on the date of loss of joint control or significant influence. Accounting treatment is carried out, and the difference between the fair value and the book value is included in the current profit and loss. Other comprehensive income recognized by the original equity investment due to the adoption of equity method accounting shall be accounted for on the same basis as the invested entity's direct disposal of related assets or liabilities when the equity method is terminated; other changes in owner's equity related to the original equity investment transferred to current profit and loss.

If the control over the invested unit is lost due to the disposal of part of the equity investment, etc., and the remaining equity after disposal can exercise joint control or exert a significant influence on the invested unit, it shall be accounted for using the equity method, and the remaining equity shall be deemed as self-owned. When acquired, the equity method is used for accounting and adjustment; if the remaining equity after disposal cannot exercise joint control or exert significant influence on the invested unit, it shall be accounted for in accordance with the relevant provisions of "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" The difference between the fair value and the book value on the date when the control is lost is included in the current profit and loss.

If the company's shareholding ratio decreases due to capital increase by other investors, thereby losing control but can exercise joint control or exert significant influence on the invested unit, the company's shareholding ratio shall be recognized in accordance with the new shareholding ratio. The difference between the increase in net assets due to share expansion and the original book value of the long-term equity investment corresponding to the decrease in the shareholding ratio that should be carried forward is included in the current profit and loss; Adjustments are then made using the equity method of accounting.

The unrealized profit and loss of internal transactions between the company and associates and joint ventures is calculated according to the shareholding ratio attributable to the company, and the investment profit and loss is recognized on the basis of offset. However, if the unrealized internal transaction losses between the company and the invested unit belong to the impairment loss of the transferred assets, they shall not be offset.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 20. Long-term equity investment (continued)

##### (3) Basis for determining joint control and significant influence over the invested entity

Joint control refers to the shared control of an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be unanimously agreed by the parties sharing the control right before decisions can be made. When judging whether there is joint control, first judge whether the arrangement is collectively controlled by all participants or a combination of participants, and then judge whether the decisions related to the arrangement's activities must be agreed by the participants who collectively control the arrangement. If all parties or a group of parties must act in concert to determine the relevant activities of an arrangement, it is considered that all parties or a group of parties collectively control the arrangement; if there is a combination of two or more parties that can collectively Control of an arrangement does not constitute joint control. When judging whether there is joint control, the protective rights enjoyed are not considered.

Significant influence means that the investor has the power to participate in the decision-making of the financial and operating policies of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. When determining whether it is possible to exert a significant influence on the invested unit, consider the voting shares of the invested unit held directly or indirectly by the investor and the current executable potential voting rights held by the investor and other parties. The subsequent impact of the equity of the unit, including the impact of the current convertible warrants, share options and convertible corporate bonds issued by the invested unit.

When the company directly or indirectly owns more than 20% (including 20%) but less than 50% of the voting shares of the invested company, it is generally considered to have a significant influence on the invested company, unless there is clear evidence that such circumstances Cannot participate in the production and operation decision-making of the invested unit, and will not have a major influence; when the company owns less than 20% (exclusive) of the voting shares of the invested unit, it is generally not considered to have a significant impact on the invested unit, unless there is clear evidence that the Under such circumstances, it can participate in the production and operation decision-making of the invested unit and form a significant influence.

##### (4) Equity investment held for sale

All or part of the equity investments in associates or joint ventures are classified as assets held for sale.

For the remaining equity investment not classified as held-for-sale assets, the equity method is adopted for accounting treatment.

If an equity investment in an associate or joint venture that has been classified as held for sale no longer meets the classification conditions for assets held for sale, it shall be adjusted retroactively using the equity method from the date when it is classified as held for sale.

##### (5) Impairment test method and provision method for impairment

For investments in subsidiaries, associates and joint ventures, see Note V. 28 for the method of accruing asset impairment.

#### 21. Investment real estate

Investment property is property held to earn rentals or for capital appreciation, or both. The company's investment real estate includes leased land use rights, land use rights held and prepared to be transferred after appreciation, and leased buildings.

The company's investment real estate is initially measured at the cost at the time of acquisition, and is depreciated or amortized on a regular basis in accordance with the relevant regulations on fixed assets or intangible assets.

For investment real estate that adopts the cost model for subsequent measurement, see Note V. 28 for the method of accruing asset impairment.

The difference between the income from the sale, transfer, scrapping or damage of investment real estate after deducting its book value and related taxes and fees is included in the current profit and loss.



Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

22. Fixed assets

(1) Confirmation conditions

The company's fixed assets refer to the tangible assets held for the production of goods, provision of labor services, leasing or operation and management, with a useful life of more than one fiscal year.

The fixed assets can only be recognized when the economic benefits related to the fixed assets are likely to flow into the enterprise and the cost of the fixed assets can be measured reliably.

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

Subsequent expenditures related to fixed assets are included in the cost of fixed assets when the related economic benefits are likely to flow into the company and the cost can be measured reliably; When it occurs, it is included in the current profit and loss or the cost of related assets according to the beneficiary object. For the replaced part, its book value shall be derecognized.

(2) Depreciation method

The company adopts the straight-line method to calculate depreciation. Depreciation accrual starts when fixed assets reach the intended usable state, and depreciation accrual ceases when they are derecognized or classified as non-current assets held for sale. Without considering impairment provision, the company determines the annual depreciation rate of various fixed assets according to the fixed asset category, expected service life and estimated residual value as follows:

| category  | depreciation method  | Depreciation period (years) | Residual rate(%) | Annual depreciation rate (%) |
|---|----------------------|-----------------------------|------------------|------------------------------|
| Houses and Buildings                                | Average Years        | 20-40                       | 5-10             | 2.25-4.75                    |
| Machinery   | Method Average       | 8-20                        | 5-10             | 4.50-11.88                   |
| Equipment   | Years Method         | 5-8                         | 5-10             | 11.25-19.00                  |
| Transport Equipment Electronic Equipment and Others | Average Years Method | 5                           | 5-10             | 18.00-19.00                  |

Among them, for fixed assets for which depreciation reserves have been withdrawn, the depreciation rate shall be determined by deducting the accumulative amount of depreciation reserves for fixed assets that have been withdrawn.

(3) For the impairment test method and impairment provision method of fixed assets, please refer to Note V. 28.

(4) At the end of each year, the company reviews the service life, estimated net residual value and depreciation method of fixed assets.

If the estimated service life is different from the original estimate, the service life of the fixed asset shall be adjusted; if the estimated net residual value is different from the original estimate, the estimated net residual value shall be adjusted.

(5) Disposal of fixed assets

When a fixed asset is disposed of, or it is not expected to generate economic benefits through use or disposal, the fixed asset is derecognized. The income from the sale, transfer, retirement or damage of fixed assets after deducting their book value and related taxes and fees is included in the current profit and loss.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

23. Construction in progress

The cost of the company's construction in progress is determined according to the actual construction expenditure, including various necessary construction expenditures during the construction period, borrowing costs that should be capitalized before the project reaches the intended usable state, and other related expenses.

Construction in progress is transferred to fixed assets when it reaches the intended usable state.

Please refer to Note V. 28 for the asset impairment method of construction in progress.

24. Borrowing costs

(1) Confirmation principles for capitalization of borrowing costs

The borrowing expenses incurred by the Company, which can be directly attributable to the purchase, construction or production of assets eligible for capitalization, shall be capitalized and included in the cost of relevant assets; other borrowing expenses shall be recognized as expenses based on the amount incurred when they occur, and shall be calculated as included in current profit and loss. Borrowing costs that meet the following conditions at the same time begin to be capitalized:

• The asset expenditure has already occurred, and the asset expenditure includes the expenditure incurred in the form of cash payment, transfer of non-cash assets or assumption of interest-bearing debts for the purchase, construction or production of assets eligible for capitalization;

• Borrowing costs have already been incurred;

• The necessary purchase, construction or production activities to make the asset reach the intended usable or salable state have started.

(2) Capitalization period of borrowing costs

Capitalization of borrowing costs stops when the company's purchase, construction or production of assets that meet the capitalization conditions reaches the intended use or sale status. The borrowing expenses incurred after the assets meeting the capitalization conditions reach the intended use or sale status shall be recognized as expenses according to the amount incurred when incurred, and included in the current profit and loss.

Capitalization of borrowing costs shall be suspended if the purchase, construction or production of assets eligible for capitalization is interrupted abnormally and the interruption lasts for more than 3 months; the capitalization of borrowing costs during the normal interruption period shall continue.

(3) Calculation method of borrowing cost capitalization rate and capitalized amount

The interest expenses actually incurred in the current period of special loans are capitalized after deducting the interest income obtained by depositing unused loan funds in banks or the investment income obtained from temporary investments; The capitalization amount is determined by multiplying the weighted average of asset expenditures by the capitalization rate of the general borrowings occupied. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

During the capitalization period, the exchange difference of special foreign currency loans shall be capitalized; the exchange difference of general foreign currency loans shall be included in the current profit and loss.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

25. Biological assets

Productive biological assets refer to biological assets held for the purpose of producing agricultural products, providing labor services or leasing, including economic forests, firewood forests, livestock and draft animals, etc. Productive biological assets are initially measured at cost. The cost of self-created or propagated productive biological assets refers to the necessary expenditures that are directly attributable to the asset before the asset reaches the intended production and operation purpose, including borrowing costs that meet the capitalization conditions.

The management, protection and feeding expenses incurred after the productive biological assets are closed or the intended production and operation goals are achieved are included in the current profit and loss.

The depreciation of productive biological assets is calculated using the straight-line method, and the depreciation rate is determined after deducting the residual value according to the estimated service life of various biological assets.

26. Right-of-use assets

Confirmation conditions for right-of-use assets

The right-of-use asset refers to the right of the Company as a lessee to use the leased asset during the lease term.

On the commencement date of the lease term, the right-of-use asset is initially measured at cost. The cost includes: the initial measurement amount of the lease liability; the lease payment paid on or before the commencement date of the lease term, if there is a lease incentive, deduct the relevant amount of the lease incentive already enjoyed; the initial direct expenses incurred by the company as a lessee; The cost expected to be incurred by the company as a lessee for dismantling and removing the leased asset, restoring the site where the leased asset is located, or restoring the leased asset to the state stipulated in the lease terms. The company, as a lessee, recognizes and measures costs such as demolition and restoration in accordance with the "Accounting Standards for Business Enterprises No. 13 - Contingencies". Subsequent adjustments are made for any remeasurement of the lease liability.

Depreciation method for right-of-use assets

The company adopts the straight-line method for depreciation. If the Company, as the lessee, can reasonably determine to obtain the ownership of the leased asset when the lease term expires, it shall accrue depreciation within the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired when the lease term expires, depreciation shall be accrued during the shorter period of the lease term or the remaining useful life of the leased asset.

For the impairment test method and impairment provision method of right-of-use assets, please refer to Note V. 28.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

27. Intangible assets

The company's intangible assets include land use rights, software, other title certificates, etc.

Intangible assets are initially measured at cost, and their service life is analyzed and judged when the intangible assets are acquired. If the service life is limited, the amortization method that can reflect the expected realization method of the economic benefits related to the asset shall be adopted from the time when the intangible asset is available for use, and it shall be amortized within the estimated service life; if the expected realization method cannot be reliably determined, The straight-line method is used for amortization; the intangible assets with uncertain service life are not amortized.

The amortization method of intangible assets with limited service life is as follows:

| category              | Service life (years) | Amortization method  | Remark |
|-----------------------|----------------------|----------------------|--------|
| Other certificates of | 50-70                | straight line        |        |
| land use              | 5-10                 | method               |        |
| right software        | 3                    | straight line method |        |

At the end of each year, the company reviews the service life and amortization method of intangible assets with limited service life. If it is different from the previous estimate, the original estimate is adjusted and treated as a change in accounting estimate.

On the balance sheet date, if an intangible asset is expected to be unable to bring future economic benefits to the enterprise, all the book value of the intangible asset shall be transferred to the current profit and loss.

See Note V. 28 for the method of asset impairment accrual for intangible assets.

28. Impairment of assets

Long-term equity investment in subsidiaries, associates and joint ventures, investment real estate, fixed assets, construction in progress, engineering materials, right-of-use assets, intangible assets, goodwill, etc. (inventory, deferred Income tax assets and financial assets are excluded), and the asset impairment is determined according to the following method:

On the balance sheet date, it is judged whether there is any sign of possible impairment of assets. If there is any sign of impairment, the company will estimate its recoverable amount and conduct an impairment test. For the goodwill formed by the business combination, the intangible assets with uncertain service life and the intangible assets that have not yet reached the usable state, regardless of whether there is any sign of impairment, the impairment test is carried out every year.

The recoverable amount is determined based on the higher of the net amount of the asset's fair value minus disposal costs and the present value of the estimated future cash flow of the asset. The company estimates the recoverable amount based on individual assets; if it is difficult to estimate the recoverable amount of individual assets, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. The determination of an asset group is based on whether the main cash inflows generated by the asset group are independent of the cash inflows of other assets or asset groups.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 28. Impairment of assets (continued)

When the recoverable amount of an asset or asset group is lower than its book value, the company will write down its book value to the recoverable amount, and the reduced amount will be included in the current profit and loss, and the corresponding asset impairment provision will be made at the same time.

As far as the impairment test of goodwill is concerned, the book value of goodwill formed due to business combination shall be apportioned to relevant asset groups in a reasonable way from the date of purchase; if it is difficult to apportion to relevant asset groups, it shall be apportioned to Related asset group combinations. The relevant asset group or asset group combination is an asset group or asset group combination that can benefit from the synergistic effect of the business combination, and is not larger than the reporting segment determined by the company.

During the impairment test, if there is any sign of impairment in the asset group or asset group combination related to goodwill, first conduct an impairment test on the asset group or asset group combination that does not contain goodwill, calculate the recoverable amount, and confirm the corresponding impairment value loss. Then conduct an impairment test on the asset group or asset group combination containing goodwill, compare its book value and recoverable amount, and if the recoverable amount is lower than the book value, recognize the impairment loss of goodwill.

Once an asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods.

#### 29. Long-term deferred expenses

The long-term deferred expenses incurred by the company are priced at actual cost and amortized evenly according to the expected benefit period. For long-term deferred expense items that cannot benefit future accounting periods, their amortized value is fully included in the current profit and loss.

#### 30. Contract liabilities

Contract liabilities refer to the company's obligation to transfer goods to customers after receiving or receivable consideration from customers. If the customer has paid the contract consideration or the company has obtained the unconditional right to receive the payment before the company transfers the goods to the customer, the company will recognize the received or due payment at the earlier point of time when the customer actually pays or is due to pay. Receipts are shown as contract liabilities. Contract assets and contract liabilities under the same contract are listed in net amount, and contract assets and contract liabilities under different contracts are not offset.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 31. Staff compensation

##### (1) The scope of employee compensation

Employee remuneration refers to various forms of remuneration or compensation given by enterprises to obtain services provided by employees or to terminate labor relations. Employee remuneration includes short-term remuneration, post-employment benefits, dismissal benefits and other long-term employee benefits. The benefits provided by the enterprise to the employee's spouse, children, dependents, family members of the deceased employee, and other beneficiaries also belong to employee compensation.

Based on liquidity, employee benefits are listed in the item "Employee benefits payable" and "Long-term employee benefits payable" in the balance sheet.

##### (2) Short-term salary

During the accounting period when employees provide services, the company recognizes the actual wages and bonuses of employees, social insurance premiums such as medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and housing provident funds paid for employees according to the prescribed benchmarks and proportions as Liabilities are included in the current profit and loss or the cost of related assets. If the liability is not expected to be fully paid within 12 months after the end of the annual reporting period in which the employee provides relevant services, and the financial impact is significant, the liability will be measured at the discounted amount.

##### (3) Post-employment benefits

Post-employment welfare plans include defined contribution plans and defined benefit plans. Among them, a defined contribution plan refers to a post-employment benefit plan in which the enterprise no longer undertakes further payment obligations after paying a fixed fee to an independent fund; a defined benefit plan refers to a post-employment benefit plan other than a defined contribution plan.

##### Set up a withdrawal plan

Defined contribution plans include basic endowment insurance, unemployment insurance, etc.

During the accounting period in which employees provide services, the deposit amount payable calculated according to the defined withdrawal plan is recognized as a liability and included in the current profit or loss or the cost of related assets.

##### (4) Dismissal benefits

If the company provides dismissal benefits to employees, the employee salary liabilities arising from the dismissal benefits will be recognized on the earlier of the following two dates and included in the current profit and loss: The company cannot unilaterally withdraw the dismissal benefits provided due to the termination of labor relations or layoffs When the company confirms the costs or expenses related to the restructuring involving the payment of dismissal benefits.

If the internal retirement plan for employees is implemented, the economic compensation before the official retirement date belongs to the dismissal benefits. From the date when the employee stops providing services to the normal retirement date, the wages and social insurance premiums to be paid for internally retired employees will be included in the current one-time payment. period profit and loss. The economic compensation (such as normal pension pension) after the official retirement date shall be treated as post-employment benefits.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

32. Lease liabilities

(1) Initial measurement

The Company initially measures the lease liability based on the present value of the unpaid lease payment on the commencement date of the lease term.

1) lease payments

The lease payment refers to the amount paid by the company to the lessor related to the right to use the leased asset during the lease period, including:  $\bar{y}$  fixed payment and substantive fixed payment, if there is a lease incentive, the relevant amount of the lease incentive will be deducted;  $\bar{y}$  A variable lease payment that depends on an index or a ratio, which is determined based on the index or ratio on the start date of the lease term at the time of initial measurement;  $\bar{y}$  When the company reasonably determines that the purchase option will be exercised, the exercise price of the purchase option;  $\bar{y}$  The lease term reflects the amount to be paid when the company exercises the option to terminate the lease;  $\bar{y}$  The amount that is expected to be paid based on the residual value of the guarantee provided by the company.

2) Discount Rate

When calculating the present value of the lease payment, the company takes the company's incremental borrowing rate as the basis.

(2) Subsequent measurement

After the commencement date of the lease term, the company will carry out subsequent measurement of the lease liability according to the following principles:  $\bar{y}$  When the interest of the lease liability is recognized, the book amount of the lease liability is increased;  $\bar{y}$  When the lease payment is paid, the book amount of the lease liability is reduced; The book value of the lease liability is remeasured when the lease payment changes due to changes in lease estimates or lease changes.

The interest expense of the lease liability during each period of the lease term is calculated according to the fixed periodic interest rate, and included in the current profit and loss, except for those that should be capitalized. Periodic interest rate refers to the discount rate adopted by the Company for the initial measurement of the lease liability, or when the lease liability needs to be remeasured according to the revised discount rate due to changes in the lease payment or due to changes in the lease. The revised discount rate used by the company.

(3) Remeasurement

After the commencement date of the lease term, when the following circumstances occur, the company will remeasure the lease liability based on the changed lease payment and the present value calculated by the revised discount rate, and adjust the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the company will include the remaining amount in the current profit and loss.  $\bar{y}$  Changes in the actual fixed payment amount;  $\bar{y}$  Changes in the estimated payable amount of the residual value of the guarantee;  $\bar{y}$  Changes in the index or ratio used to determine the lease payment amount;  $\bar{y}$  Changes in the evaluation results of the purchase option; Changes in the assessment results or actual exercise of lease options.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 33. Estimated liabilities

If the obligations related to contingencies meet the following conditions at the same time, the company will recognize them as estimated liabilities:

- (1) The obligation is the current obligation undertaken by the company;
- (2) The fulfillment of this obligation is likely to cause economic benefits to flow out of the company;
- (3) The amount of the obligation can be reliably measured.

Estimated liabilities are initially measured based on the best estimate of the expenditure required to fulfill the relevant current obligations, and factors such as risks, uncertainties, and time value of money related to contingencies are comprehensively considered. If the time value of money has a significant impact, the best estimate is determined after discounting the relevant future cash outflows. The company reviews the book value of estimated liabilities on the balance sheet date, and adjusts the book value to reflect the current best estimate.

If all or part of the expenses required to pay off the recognized estimated liabilities is expected to be compensated by a third party or other parties, the compensation amount can only be recognized as an asset separately when it is basically certain that it will be received. The confirmed compensation amount shall not exceed the book value of the confirmed liabilities.

#### 34. Share payment

##### (1) Types of share payment

The company's share payment is divided into equity-settled share-based payment and cash-settled share-based payment.

##### (2) Determination method of fair value of equity instruments

The Company determines the fair value of the granted equity instruments such as options in an active market according to the quotations in the active market. For equity instruments such as options granted that do not have an active market, the fair value is determined using the option pricing model. The selected option pricing model considers the following factors: A. The exercise price of the option; B. The validity period of the option; C. The current price of the underlying stock; D. The expected volatility of the stock price; E. The expected dividend of the stock; F. The validity period of the option the risk-free interest rate.

##### (3) The basis for confirming the best estimate of exercisable equity instruments

On each balance sheet date during the waiting period, the company makes the best estimate based on the latest follow-up information such as changes in the number of exercisable employees, and corrects the estimated number of exercisable equity instruments. On the exercisable date, the final estimated number of exercisable equity instruments should be consistent with the actual number of exercisable rights.



## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 34. Share-based payment (continued)

##### (4) Relevant accounting treatment for implementing, modifying and terminating share-based payment plans

Equity-settled share-based payments are measured at the fair value of equity instruments granted to employees. If the right is exercisable immediately after the grant, the fair value of the equity instrument shall be included in the relevant costs or expenses on the grant date, and the capital reserve shall be increased accordingly. If the right can only be exercised after completing the service during the waiting period or meeting the specified performance conditions, on each balance sheet date during the waiting period, based on the best estimate of the number of equity instruments that can be exercised, the fair value of the equity instrument on the grant date Value, the services obtained in the current period are included in the relevant costs or expenses and capital reserves. After the exercisable date, no adjustments will be made to the confirmed related costs or expenses and the total owner's equity.

Cash-settled share-based payments are measured at the fair value of liabilities assumed by the company based on shares or other equity instruments. If the right is exercisable immediately after the grant, the fair value of the liabilities assumed by the company shall be included in the relevant costs or expenses on the grant date, and the liabilities shall be increased accordingly. For cash-settled share-based payments that can only be vested after completing the service within the waiting period or reaching the specified performance conditions, on each balance sheet date within the waiting period, based on the best estimate of the vesting situation, the The company assumes the fair value of the liabilities, and the services obtained in the current period are included in the costs or expenses and the corresponding liabilities. On each balance sheet date and settlement date before the relevant liabilities are settled, the fair value of the liabilities is remeasured, and the changes are included in the current profit and loss.

When the Company modifies the share-based payment plan, if the modification increases the fair value of the equity instruments granted, the increase in services obtained shall be recognized in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the The increase in the fair value of the equity instrument is recognized as an increase in the acquisition of services accordingly. The increase in the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after modification on the modification date. If the modification reduces the total fair value of the share-based payment or the terms and conditions of the share-based payment plan are modified in other ways that are unfavorable to employees, the accounting treatment for the services obtained will continue to be treated as if the change has never occurred, unless the company cancels part or all of the granted equity instruments.

During the waiting period, if the granted equity instruments are canceled (except for cancellations due to non-market conditions that do not meet the exercisable conditions), the company treats the cancellation of the granted equity instruments as accelerated exercise, and the remaining waiting period The amount that should be recognized within the period is immediately included in the current profit and loss, and the capital reserve is recognized at the same time. If employees or other parties can choose to meet the non-vesting conditions but fail to meet them within the waiting period, the company will treat it as the cancellation of the equity instrument granted.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 35. Preferred shares, perpetual bonds and other financial instruments

##### (1) The distinction between financial liabilities and equity instruments

The Company classifies the financial instrument or its components at the time of initial recognition based on the contractual terms of the issued financial instrument and the economic substance reflected therein rather than just in legal form, combined with the definitions of financial assets, financial liabilities and equity instruments. Financial assets, financial liabilities or equity instruments.

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

The financial instruments issued by the company are initially recognized and measured in accordance with the financial instrument standards; thereafter, accrual of interest or distribution of dividends on each balance sheet date shall be handled in accordance with relevant specific enterprise accounting standards. That is, based on the classification of the financial instrument issued, the accounting treatment for the interest payment or dividend distribution of the instrument is determined. For financial instruments classified as equity instruments, their interest expenses or dividend distribution are treated as profit distribution of the company, and their repurchases and cancellations are treated as changes in equity; for financial instruments classified as financial liabilities, their interest expenses or In principle, dividend distribution is treated as borrowing costs, and the gains or losses from repurchase or redemption are included in the current profit and loss.

When the company issues financial instruments, transaction fees such as handling fees and commissions incurred, if classified as debt instruments and measured at amortized cost, are included in the initial measurement amount of the issued instruments; if classified as equity instruments, they are deducted from equity .

#### 36. Income

##### (1) General principles

The Company recognizes revenue when the performance obligation in the contract is fulfilled, that is, when the customer obtains control over the relevant goods or services.

If the contract contains two or more performance obligations, the company will allocate the transaction price to each individual performance obligation according to the relative proportion of the stand-alone selling price of the goods or services promised by each individual performance obligation on the inception date of the contract. Revenue is measured at the transaction price of an individual performance obligation.

When one of the following conditions is met, the company shall perform the performance obligation within a certain period of time; otherwise, it shall perform the performance obligation at a certain point in time:

• The customer obtains and consumes the economic benefits brought by the company's performance while the company performs the contract.

• The customer can control the goods under construction during the company's performance.

• The goods produced by the company during the performance of the contract have irreplaceable uses, and the company has the right to use  
Receive payment for the fulfillment of the contract.

For the performance obligations fulfilled within a certain period of time, the company recognizes revenue according to the progress of the performance within this period. When the performance progress cannot be reasonably determined, if the company's incurred costs are expected to be compensated, the revenue shall be recognized according to the incurred cost amount until the performance progress can be reasonably determined.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

36. Income (continued)

(1) General principles (continued)

For performance obligations fulfilled at a certain point in time, the company recognizes revenue at the point in time when the customer obtains control over the relevant goods or services. When judging whether a customer has acquired control of a product or service, the Company will consider the following indications:

γ The company has the current right to receive payment for the product or service, that is, the customer has the current payment obligation for the product.

γ The company has transferred the legal ownership of the product to the customer, that is, the customer already owns the legal title of the product.

γ The company has transferred the product in kind to the customer, that is, the customer has taken possession of the product in kind.

γ The company has transferred the main risks and rewards of the ownership of the commodity to the customer, that is, the customer has acquired the main risk of ownership of the commodity and remuneration.

γ The customer has accepted the product or service.

γ Other signs indicating that the customer has obtained the right to control the product.

The company has transferred goods or services to customers and has the right to receive consideration (and this right depends on factors other than the passage of time) as contract assets, and contract assets are provisioned for impairment on the basis of expected credit losses (see Note 5 , 10). The Company's unconditional (depending only on the passage of time) right to receive consideration from the customer is shown as receivable. The Company has received or receivable the customer's consideration and the obligation to transfer goods or services to the customer is regarded as a contract liability.

Contract assets and contract liabilities under the same contract are listed in net amount. If the net amount is a debit balance, it shall be listed in the "contract assets" or "other non-current assets" item according to its liquidity; if the net amount is a credit balance, According to its liquidity, it is presented in the item of "contract liabilities" or "other non-current liabilities".

(2) specific method

The company's specific methods for machine-made paper revenue recognition: For domestic sales, revenue is recognized on the day when the goods are delivered to the customer and signed for confirmation; for foreign sales, revenue is recognized on the day when the goods are shipped and declared to customs.

The specific method of the company's financial lease income recognition: According to the repayment and interest payment schedule, the income is recognized in installments according to the actual interest rate.

The specific method for the company's real estate income recognition: amortize the rent according to the straight-line method during the lease term to confirm the income.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

37. Government subsidies

Government subsidies are confirmed when the conditions attached to the government subsidies are met and can be received.

Government grants for monetary assets are measured at the amount received or receivable. For government grants of non-monetary assets, they are measured at fair value; if the fair value cannot be reliably obtained, they are measured at a nominal amount of 1 yuan.

Government grants related to assets refer to government grants obtained by the company for purchase and construction or to form long-term assets in other ways; otherwise, they are government grants related to income.

For those government documents that do not clearly specify the subsidy object, if it can form long-term assets, the part of the government subsidy corresponding to the value of the asset shall be regarded as a government subsidy related to assets, and the rest shall be regarded as a government subsidy related to income; if it is difficult to distinguish, the government subsidy shall be The whole is regarded as a government subsidy related to income.

Government grants related to assets are recognized as deferred income and included in profit or loss in stages in a reasonable and systematic manner within the useful life of the relevant assets. Government grants related to income are included in the current profit and loss if they are used to compensate for the related costs or losses that have occurred; Or the loss is included in the current profit and loss during the period of recognition. Government grants measured at nominal amounts are directly included in current profit and loss. The company adopts a consistent method for the same or similar government subsidy business.

Government subsidies related to daily activities are included in other income according to the nature of economic business. Government grants not related to daily activities are included in non-operating income and expenditure.

When the confirmed government subsidy needs to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess shall be included in the current profit or loss; in other cases, it shall be directly included in the current profit or loss.

For policy-based preferential loan interest discounts, if the government allocates interest subsidy funds to the lending bank, the actual received loan amount will be used as the entry value of the loan, and the borrowing cost will be calculated based on the loan principal and policy preferential interest rates. If the government directly allocates the interest discount fund to the company, the interest discount will offset the borrowing costs.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 38. Deferred income tax assets/deferred income tax liabilities

Income tax includes current income tax and deferred income tax. Except for the adjusted goodwill arising from the business combination, or the deferred income tax related to the transactions or events directly included in the owner's equity, which are included in the owner's equity, they are included in the current profit and loss as income tax expenses.

The company adopts the balance sheet liability method to confirm the deferred income tax according to the temporary difference between the book value of assets and liabilities on the balance sheet date and the tax basis.

All taxable temporary differences are recognized as related deferred income tax liabilities, unless the taxable temporary differences arise in the following transactions:

(1) Initial recognition of goodwill, or of an asset or liability arising in a transaction that is not a business combination, and

The transaction affects neither accounting profit nor taxable income when it occurs;

(2) For taxable temporary differences related to investments in subsidiaries, joint ventures and associates, the timing of the reversal of the temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward to future years, the company may obtain the deductible temporary differences, deductible losses and tax credits. The deferred income tax assets arising therefrom shall be recognized within the limit of future taxable income, unless the deductible temporary difference is generated in the following transactions:

(1) The transaction is not a business combination, and the transaction affects neither accounting profit nor taxable income;

(2) For the deductible temporary difference related to investment in subsidiaries, joint ventures and associates, if the following conditions are met at the same time, the corresponding deferred income tax assets are recognized: the temporary difference is likely to be reversed in the foreseeable future, And it is likely to obtain the taxable income used to offset the deductible temporary difference in the future.

On the balance sheet date, the company measures the deferred income tax assets and deferred income tax liabilities according to the applicable tax rate during the expected recovery of the assets or the settlement of the liabilities, and reflects the income tax impact of the expected recovery of the assets or settlement of the liabilities on the balance sheet date .

On the balance sheet date, the company reviews the book value of the deferred income tax assets. If it is likely that sufficient taxable income will not be obtained in the future to offset the benefits of the deferred income tax assets, the book value of the deferred income tax assets will be written down. When it is probable that sufficient taxable income will be obtained, the reduced amount shall be reversed.

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

39. Leasing

(1) Identification of the lease

On the inception date of the contract, the company, as the lessee or lessor, evaluates whether the customer in the contract is entitled to obtain almost all the economic benefits arising from the use of the identified assets during the use period, and has the right to direct the use of the identified assets during the use period. use. If one party in the contract assigns the right to control the use of one or more identified assets within a certain period of time in exchange for consideration, the company determines that the contract is a lease or contains a lease.

(2) The company as lessee

On the commencement date of the lease term, the Company recognizes right-of-use assets and lease liabilities for all leases, except short-term leases and low-value asset leases that are simplified.

For the accounting policy of right-of-use assets, please refer to Note V. 26.

Lease liabilities are initially measured based on the present value of the unpaid lease payment on the commencement date of the lease period using the lease implicit interest rate. If the lease implicit interest rate cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments include: fixed payments and in-substance fixed payments, less lease incentives, where lease incentives exist; variable lease payments that depend on an index or rate; the exercise price of a purchase option, provided the lessee is reasonably determination that the option will be exercised; payments to be made to exercise the option to terminate the lease, provided that the term of the lease reflects that the lessee will exercise the option to terminate the lease; and payments expected to be made based on the residual value of the guarantee provided by the lessee. Subsequently, the interest expense of the lease liability in each period of the lease term is calculated according to the fixed periodic interest rate, and included in the current profit and loss. Variable lease payments that are not included in the measurement of lease liabilities are included in current profit or loss when they actually occur.

short term rental

A short-term lease is a lease with a lease term of not more than 12 months on the commencement date of the lease term, except for leases that include a purchase option.

The company will record the lease payments of short-term leases into the cost of relevant assets or the current profit and loss according to the straight-line method during each period of the lease term.

For short-term leases, the company selects the above-mentioned simplified treatment method for items that meet the short-term lease conditions in the following asset types according to the type of leased assets.

low value equipment

transport vehicle

Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

39. Leasing (continued)

(2) The Company as lessee (continued)

Leasing of low-value assets

Low-value asset leases refer to leases with a value of less than 40,000 yuan when the single leased asset is a new asset.

The company will record the lease payments of low-value asset leases into the cost of relevant assets or the current profit and loss according to the straight-line method during each period of the lease term.

For the lease of low-value assets, the company chooses to adopt the above simplified treatment method according to the specific circumstances of each lease.

lease change

If the lease changes and meets the following conditions at the same time, the company will account for the lease change as a separate lease: ̣The lease change expands the scope of the lease by increasing the use right of one or more leased assets; ̣The increased consideration It is equivalent to the separate price of the expanded part of the leased scope after adjustment according to the conditions of the contract.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the company re-allocates the consideration of the contract after the change, re-determines the lease term, and calculates it based on the lease payment after the change and the revised discount rate The present value remeasures the lease liability.

If the change of the lease results in a reduction in the scope of the lease or a shortening of the lease term, the Company shall reduce the book value of the right-of-use asset accordingly, and include the relevant gains or losses related to the partial or complete termination of the lease in the current profit and loss.

If other lease changes lead to the remeasurement of lease liabilities, the Company shall adjust the book value of the right-of-use asset accordingly.

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 39. Leasing (continued)

##### (3) The company as the lessor

When the Company acts as the lessor, the lease that substantially transfers all risks and rewards related to asset ownership is recognized as a finance lease, and other leases other than finance leases are recognized as operating leases.

##### Finance Lease

In financial leases, on the day when the lease period begins, the company takes the net lease investment as the entry value of the finance lease receivable, the net lease investment is the unguaranteed residual value and the lease receipts that have not been received on the lease commencement date are calculated according to the lease The sum of present values discounted with interest rates. The company, as the lessor, calculates and recognizes the interest income in each period of the lease term at a fixed periodic interest rate. The variable lease payment obtained by the Company as a lessor and not included in the measurement of the net lease investment is included in the current profit and loss when it actually occurs.

The derecognition and impairment of financial lease receivables shall be accounted for in accordance with the provisions of "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" and "Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets".

##### operating lease

For the rent in the operating lease, the company recognizes the current profit and loss according to the straight-line method during each period of the lease term. The initial direct expenses incurred in connection with the operating lease shall be capitalized, amortized on the same basis as the recognition of rental income during the lease term, and included in the current profit and loss in installments. The variable lease payment obtained related to the operating lease and not included in the lease receipts is included in the current profit and loss when it actually occurs.

##### lease change

If the operating lease is changed, the company will take it as a new lease for accounting treatment from the effective date of the change, and the pre-receipt or lease receivable amount related to the lease before the change is regarded as the new lease amount.

If the financial lease changes and meets the following conditions at the same time, the company will account for the change as a separate lease:  $\bar{y}$  The change expands the scope of the lease by increasing the use right of one or more leased assets;  $\bar{y}$  The increased consideration and The separate price of the expanded part of the leased scope is equal to the amount adjusted according to the conditions of the contract.

If the change of the financial lease is not accounted for as a separate lease, the company handles the changed lease according to the following circumstances:  $\bar{y}$  If the change takes effect on the lease commencement date, the lease will be classified as an operating lease, and the company will automatically From the effective date of the lease change, it will be accounted for as a new lease, and the net lease investment before the lease change becomes effective as the book value of the leased asset;  $\bar{y}$  If the change takes effect on the lease commencement date, the lease will be classified as financing For leasing, the Company conducts accounting treatment in accordance with the provisions of "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" on modifying or renegotiating contracts.



Section 10 Financial Report

V. Significant accounting policies and accounting estimates (continued)

39. Leasing (continued)

(4) Sublease

When the Company acts as the lessor of the sublease, it classifies the sublease based on the right-of-use assets arising from the original lease. If the original lease is a short-term lease, and the company simplifies the treatment of the original lease, the sub-lease is classified as an operating lease.

(5) Sale and leaseback

The lessee and the lessor shall evaluate and determine whether the asset transfer in the sale-and-leaseback transaction is a sale in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue.

If the asset transfer in the sale-and-leaseback transaction is a sale, the lessee shall measure the right-of-use asset formed by the sale-leaseback based on the part of the book value of the original asset related to the right-to-use obtained from the leaseback, and only for the transfer to the leaseback The lessor shall account for asset purchases in accordance with other applicable accounting standards for business enterprises, and account for asset leases in accordance with this standard.

If the transfer of assets in a sale-and-leaseback transaction is not a sale, the lessee shall continue to recognize the transferred asset and at the same time recognize a financial liability equal to the transfer income, which shall be recognized and measured in accordance with the Accounting Standards for Business Enterprises No. 22 - Financial Instrument Recognition and Measurement "Accounting treatment for this financial liability; the lessor does not recognize the transferred asset, but recognizes a financial asset equal to the transfer income, and the financial asset shall be recognized in accordance with "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" for accounting treatment.

40. Changes in important accounting policies and accounting estimates

(1) Changes in important accounting policies

ÿ Applicable ÿ Not applicable

(2) Changes in important accounting estimates

ÿ Applicable ÿ Not applicable

## Section 10 Financial Report

### V. Significant accounting policies and accounting estimates (continued)

#### 41. Others

Fair value refers to the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants on the measurement date.

The Group measures related assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities is carried out in the main market of related assets or liabilities; if there is no main market, the Group assumes that the transaction is in the most favorable The market goes on. The main market (or the most favorable market) is the trading market that the Group can enter on the measurement date. The Group adopts the assumptions that market participants use to maximize their economic benefits when pricing the asset or liability.

For financial assets or financial liabilities in an active market, the Group uses quoted prices in the active market to determine its fair value. If there is no active market for financial instruments, the Group uses valuation techniques to determine its fair value.

When non-financial assets are measured at fair value, market participants' ability to use the asset for the best use to generate economic benefits, or the ability to sell the asset to other market participants who can use the asset for the best use to generate economic benefits is considered.

The Group adopts valuation techniques that are applicable in the current situation and supported by sufficient available data and other information, giving priority to the use of relevant observable input values, and only use them when the observable input values cannot be obtained or are not practicable. Unobservable input values.

For assets and liabilities measured or disclosed at fair value in the financial statements, the fair value level to which they belong is determined according to the lowest level of input value that is significant to the fair value measurement as a whole: the first level of input value is at the measurement date The unadjusted quoted price of the same asset or liability that can be obtained in an active market; the second-level input value is the directly or indirectly observable input value of the relevant asset or liability other than the first-level input value; the third-level input value , is the unobservable input value of the related asset or liability.

On each balance sheet date, the Group reassesses the assets and liabilities that are continuously measured at fair value recognized in the financial statements to determine whether there is a conversion between the fair value measurement levels.

Section 10 Financial Report

6. Taxes

1. Main tax categories and tax rates

| tax                                   | Tax basis                    | tax rate(%) |
|---------------------------------------|------------------------------|-------------|
| Value-added                           | Taxable income               | 13/9/6      |
| tax Property                          | Taxable income               | 12/1.2      |
| tax Urban maintenance and             | from rent and ad             | 7           |
| construction tax Corporate income tax | valorem turnover tax payable | 25          |

If there are taxpayers with different corporate income tax rates, the disclosure statement

| Tax subject name   | Income tax rate (%)  |
|--|----------------------|
| Shandong Chenming Paper Group Co., Ltd.  | 15                   |
| Shouguang Meilun Paper Co., Ltd. Jilin   | 15                   |
| Chenming Paper Co., Ltd. Jiangxi Chenming  | 15                   |
| Paper Co., Ltd. Zhanjiang Chenming Pulp &  | 15                   |
| Paper Co., Ltd. Wuhan Chenming   | 15                   |
| Hanyang Paper Co., Ltd. Huanggangchen Ming Pulp                                    | 15                   |
| & Paper Co., Ltd. Kunshan Tuoan  | 15                   |
| Plastic Products Co., Ltd. Shouguang Shunda  | 15                   |
| Customs Broker Co., Ltd. Shouguang   | 20                   |
| Chenming Paper Machinery Co., Ltd.   | 20                   |
| Shouguang Weiyuan Logistics Co.,   | 20                   |
| Ltd. Jiangxi Chenming Tea Industry   | 20                   |
| Co., Ltd. Zhanjiang Chenming Forestry  | Income Tax Exemption |
| Development Co., Ltd. Nanchang Chenming  | Income Tax Exemption |
| Forestry Development Co.,  | Income Tax Exemption |
| Ltd. Chenming Forestry Co., Ltd. Yangjiang Chenming Forestry Development Co., Ltd. | Income Tax Exemption |

2. Tax incentives

(1) Enterprise income tax

The company obtained the "High-tech Enterprise Certificate" No. GR202137005666 on December 15, 2021. According to the "Enterprise Income Tax Law of the People's Republic of China" and related policies, it enjoys corporate income tax calculated at 15% of taxable income. Offer period is from 2021 to 2023.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the company, obtained the "High-tech Enterprise Certificate" No. GR202137005468 on December 15, 2021. 15% of the taxable income is calculated and paid for corporate income tax, and the preferential period is from 2021 to 2023.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, obtained the "High-tech Enterprise Certificate" No. GR201922000658 on September 2, 2019. According to the "Enterprise Income Tax Law of the People's Republic of China" and relevant policies, it enjoys the tax rate of 15% of the taxable income is calculated and paid for corporate income tax, and the preferential period is from 2019 to 2021.

## Section 10 Financial Report

### 6. Taxation (continued)

#### 2. Tax incentives (continued)

##### (1) Enterprise income tax (continued)

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, obtained the "High-tech Enterprise Certificate" No. GR201936002184 on December 3, 2019. According to the provisions of the "Enterprise Income Tax Law of the People's Republic of China" and related policies, it is entitled to 15% of the taxable income is calculated and paid for corporate income tax, and the preferential period is from 2019 to 2021.

Zhejiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, obtained the "High-tech Enterprise Certificate" No. GR202144001212 on December 20, 2021. According to the "Enterprise Income Tax Law of the People's Republic of China" and related policies, it enjoys the taxation of the "High-Tech Enterprise" 15% of the taxable income is calculated and paid for corporate income tax, and the preferential period is from 2021 to 2023.

Wuhan Chenming Hanyang Paper Co., Ltd., a subsidiary of the Company, obtained the "High-tech Enterprise Certificate" No. GR202042001502 on December 1, 2020. According to the "Enterprise Income Tax Law of the People's Republic of China" and relevant policies, it enjoys The corporate income tax is calculated and paid at 15% of the taxable income, and the preferential period is from 2020 to 2022.

Huanggang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, obtained the "High-tech Enterprise Certificate" No. GR202042001471 on December 1, 2020. According to the provisions of the "Enterprise Income Tax Law of the People's Republic of China" and relevant policies, it is entitled to the 15% of the taxable income is calculated and paid for corporate income tax, and the preferential period is from 2020 to 2022.

Kunshan Tuoan Plastic Products Co., Ltd., a subsidiary of the company, obtained the "High-tech Enterprise Certificate" No. GR202032004526 on December 02, 2020. According to the "Enterprise Income Tax Law of the People's Republic of China" and related policies, it enjoys the following 15% of the taxable income is calculated and paid for corporate income tax, and the preferential period is from 2020 to 2022.

Zhejiang Chenming Forestry Development Co., Ltd., Yangjiang Chenming Forestry Development Co., Ltd., Nanchang Chenming Forestry Development Co., Ltd. and Chenming Forestry Co., Ltd., the subsidiaries of the Company, pursuant to Article 27.1 of the "Enterprise Income Tax Law of the People's Republic of China" Items and Article 86, Paragraph 1 of the "Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" enjoy tax incentives, and the "Enterprise Income Tax Reduction and Exemption Preferential Record Form" has been processed to be exempted from enterprise income tax.

The company's subsidiaries Shouguang Shunda Customs Broker Co., Ltd., Shouguang Chenming Paper Machinery Co., Ltd., Shouguang Weiyuan Logistics Co., Ltd., and Jiangxi Chenming Tea Industry Co., Ltd. are small and micro enterprises. Notice on Reduction and Exemption Policies" (Caishui [2019] No. 13), for small low-profit enterprises whose annual taxable income does not exceed 1 million yuan, the taxable income is reduced by 12.5%, and the enterprise income tax is paid at a rate of 20%. For the part of the annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, the taxable income shall be included in the taxable income at a reduced rate of 50%, and the enterprise income tax shall be paid at the tax rate of 20%.

Section 10 Financial Report

6. Taxation (continued)

2. Tax incentives (continued)

(1) Enterprise income tax (continued)

Guangdong Chenming Board Co., Ltd., a subsidiary of the Company, complies with Article 99 of the "Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" (Decree No. 512 of the State Council of the People's Republic of China), and "The Ministry of Finance and the State Taxation The Notice on Issues Concerning Utilization of the Enterprise Income Tax Preferential Catalog (Cai Shui [2008] No. 47) stipulates that starting from January 1, 2008, the enterprise shall use the resources listed in the Catalog as the main raw materials to produce The income obtained from products of relevant standards shall be included in the total income of the year at a reduced rate of 90% when calculating the taxable income. When enjoying the above tax incentives, the ratio of the resources listed in the "Catalogue" to the raw materials of the product should meet the technical standards stipulated in the "Catalogue".

(2) Value-added tax

Zhanjiang Chenming Forestry Development Co., Ltd., Yangjiang Chenming Forestry Development Co., Ltd., Nanchang Chenming Forestry Development Co., Ltd. and Chenming Forestry Co., Ltd., the subsidiaries of the Company, are exempt from value-added tax in accordance with Article 10 of the Provisional Regulations of the People's Republic of China on Value-Added Tax VAT has been processed, and the "Registration Form for Recordation of Tax Reduction and Exemption for Taxpayers" is exempt from value-added tax.

According to the Catalog of Preferential Value-Added Taxes for Products and Labor Services of Comprehensive Utilization of Resources (Caishui [2015] No. 78), taxpayers who sell self-produced products for comprehensive utilization of resources and provide labor services for comprehensive utilization of resources can enjoy the policy of VAT refund upon collection. The products produced by Guangdong Chenming Board Co., Ltd., a subsidiary of the company, are in line with the comprehensive utilization of resources, and can enjoy the VAT refund policy in 2022.

## Section 10 Financial Report

## 7. Notes to items in the consolidated financial statements

## 1. Monetary funds

unit: yuan

| project   | Ending balance    | Opening Balance   |
|---|-------------------|-------------------|
| cash on hand  | 3,313,516.53      | 2,926,080.68      |
| bank deposits   | 3,139,292,575.43  | 3,166,431,843.70  |
| other currency funds  | 11,816,075,269.95 | 10,950,425,015.28 |
| Total of  | 14,958,681,361.91 | 14,119,782,939.66 |
| which: the total amount of funds deposited overseas                                       | 505,963,325.58    | 462,952,909.20    |
| The total amount of funds that are restricted for use due to mortgage, pledge or freezing | 11,749,299,176.80 | 10,756,936,714.59 |

other instructions:

ȳ Other monetary funds of 8,944,327,842.85 yuan are the deposits deposited by the company to apply to the bank for issuing bank acceptance bills.

ȳ The other monetary funds of 2,240,431,110.52 yuan are the guarantee deposit deposited by the company for applying to the bank for issuing a letter of credit.

ȳ Other monetary funds of 219,580,223.43 yuan are the deposits deposited by the company applying for a bank guarantee letter from the bank.

ȳ Other monetary funds of 184,100,000.00 yuan are the deposits deposited by the company when applying for bank loans from banks.

ȳ Other monetary funds of RMB 160,860,000.00 are the statutory deposit reserves deposited by the company in the bank.

ȳ Other monetary funds include interest receivable of RMB 66,776,093.15.

## 2. Trading financial assets

unit: yuan

| project   | Ending balance | Opening Balance |
|---|----------------|-----------------|
| Financial assets measured at fair value through profit or loss including: Equity instrument | 51,033,051.57  | 110,886,182.88  |
| investment  | 51,033,051.57  | 110,886,182.88  |
| total   | 51,033,051.57  | 110,886,182.88  |

Other notes: The trading financial asset is the stock of Bohai Bank subscribed by the Group.

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

3. Notes receivable

unit: yuan

| Note type              | Ending balance |                    | Book value     | Opening balance |                    | Book value |
|------------------------|----------------|--------------------|----------------|-----------------|--------------------|------------|
|                        | Book balance   | bad debt provision |                | Book balance    | bad debt provision |            |
| trade acceptance draft | 742,590,000.00 |                    | 742,590,000.00 |                 |                    |            |
| total                  | 742,590,000.00 |                    | 742,590,000.00 |                 |                    |            |

4. Accounts receivable

(1) Classification disclosure of accounts receivable

unit: yuan

| category                                      | Book balance     |               | Ending balance  |                    | Expected credit loss rate (%) | Book value       |
|---|------------------|---------------|-----------------|--------------------|-------------------------------|------------------|
|   | Amount of money  | Proportion(%) | Amount of money | bad debt provision |                               |                  |
| Provision for bad debts by single item        | 208,785,301.74   | 5.53          | 208,785,301.74  |                    | 100.00                        | 0.00             |
| Provision for bad debts by combination of     | 3,565,457,344.06 | 94.47         | 220,583,318.92  |                    | 6.19                          | 3,344,874,025.14 |
| which:  |                  |               |                 |                    |                               |                  |
| Receivables from related party                | 7,158,599.98     | 0.19          | 49,344.50       |                    | 0.69                          | 7,109,255.48     |
| customers Receivables from non-               | 2,344,160,892.81 | 62.11         | 82,782,886.75   |                    | 3.53                          | 2,261,378,006.06 |
| related party customers Factoring receivables | 1,214,137,851.27 | 32.17         | 137,751,087.67  |                    | 11.35                         | 1,076,386,763.60 |
| total   | 3,774,242,645.80 | 100.00        | 429,368,620.66  |                    | 11.38                         | 3,344,874,025.14 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

4. Accounts receivable (continued)

(1) Classification disclosure of accounts receivable (continued)

continued:

unit: yuan

| category                                      | Book balance     |               | Opening balance |          | bad debt provision   |            | Book value |
|---|------------------|---------------|-----------------|----------|----------------------|------------|------------|
|   | Amount of money  | Proportion(%) | Amount of money | Expected | credit loss rate (%) |            |            |
|   |                  |               |                 |          |                      |            |            |
| Provision for bad debts by single item        | 224,831,742.24   | 7.24          | 224,831,742.24  | 100.00   |                      | 0.00       |            |
| Provision for bad debts by combination of     | 2,880,986,860.24 | 92.76         | 224,469,709.78  | 7.79     | 2,656,517,150.46     |            |            |
| which:  |                  |               |                 |          |                      |            |            |
| Receivables from related party                | 109,385.42       | 0.004         |                 |          |                      | 109,385.42 |            |
| customers Receivables from non-               | 1,855,021,764.82 | 59.73         | 84,870,622.11   | 4.58     | 1,770,151,142.71     |            |            |
| related party customers Factoring receivables | 1,025,855,710.00 | 33.03         | 139,599,087.67  | 13.61    | 886,256,622.33       |            |            |
| total   | 3,105,818,602.48 | 100.00        | 449,301,452.02  | 14.47    | 2,656,517,150.46     |            |            |

Provision for bad debts by single item:

unit: yuan

| name  | Ending balance |                    |                               |                               |
|---|----------------|--------------------|-------------------------------|-------------------------------|
|   | Book balance   | bad debt provision | Accrual ratio                 | Provision reason              |
| Hengfeng Hongyuan Real Estate Holdings Co., Ltd.  | 45,493,811.40  | 45,493,811.40      | 100.00%                       | Not recovered for a long time |
| Ningxia Lingwu Baota Dagui                        |                |                    |                               |                               |
| Storage and                                       | 27,600,000.00  | 27,600,000.00      | 100.00%                       | Not recovered for a long time |
| Transportation Co., Ltd. Foshan                   |                |                    |                               |                               |
| Shunde Xingchen Paper Co., Ltd.                   | 26,236,528.70  | 26,236,528.70      | 100.00%                       | Long term uncollected 100.00% |
| Hongyang Paper Products Co., Ltd.                 | 15,293,432.93  | 15,293,432.93      | Long term uncollected 100.00% | Long term uncollected 100.00% |
| Printing Materials Co., Ltd.                      | 14,813,369.27  | 14,813,369.27      | uncollected 100.00%           | Long term uncollected         |
| and Trade Co., Ltd.                               | 13,396,601.22  | 13,396,601.22      |                               |                               |
| Shandong Yiming New Material Technology Co., Ltd. |                |                    |                               |                               |
| and other 92                                      |                |                    |                               |                               |
| units   | 65,951,558.22  | 65,951,558.22      | 100.00%                       | Not recovered for a long time |
| total   | 208,785,301.74 | 208,785,301.74     |                               |                               |



Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

4. Accounts receivable (continued)

(1) Classification disclosure of accounts receivable (continued)

Provision for bad debts by combination:

Accounts receivable for which provision for bad debts is made based on the combination of receivable related parties

unit: yuan

| name          | Book balance | Ending balance     | Accrual ratio (%) |
|---------------|--------------|--------------------|-------------------|
|               |              | bad debt provision |                   |
| within 1 year | 7,158,599.98 | 49,344.50          | 0.69              |
| total         | 7,158,599.98 | 49,344.50          |                   |

Accounts receivable for which provision for bad debts is made based on the combination of customers receivable from non-related parties

unit: yuan

| category          | accounts receivable | Ending balance     | Expected             |
|-------------------|---------------------|--------------------|----------------------|
|                   |                     | Bad debt provision | credit loss rate (%) |
| Within 1 year     | 2,148,202,427.14    | 14,981,402.81      | 0.70                 |
| 1 to 2 years      | 92,569,331.04       | 12,882,446.17      | 13.92                |
| 2 to 3 years      | 6,643,408.49        | 1,634,371.19       | 24.60                |
| More than 3 years | 96,745,726.14       | 53,284,666.58      | 55.08                |
| total             | 2,344,160,892.81    | 82,782,886.75      | 3.53                 |

Accounts receivable for which provision for bad debts is made based on the group of factoring receivables

unit: yuan

| name              | Book balance     | Ending balance     | Accrual ratio |
|-------------------|------------------|--------------------|---------------|
|                   |                  | bad debt provision |               |
| Within 1 year     | 1,008,798,807.91 | 98,200,166.66      | 9.73%         |
| 1 to 2 years      | 148,138,960.00   | 23,565,896.00      | 15.91%        |
| 2 to 3 years      | 33,486,237.90    | 8,748,229.36       | 26.12%        |
| More than 3 years | 23,713,845.46    | 7,236,795.65       | 30.52%        |
| total             | 1,214,137,851.27 | 137,751,087.67     | 11.35%        |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

4. Accounts receivable (continued)

(1) Classification disclosure of accounts receivable (continued)

| Disclosure by age                |  | unit: yuan       |
|----------------------------------|--|------------------|
| aging                            |  | Ending balance   |
| Within 1 year (including 1 year) |  | 3,164,159,835.03 |
| 1 to 2 years                     |  | 240,708,291.04   |
| 2 to 3 years                     |  | 40,129,646.39    |
| More than 3 years                |  | 329,244,873.34   |
| Subtotal                         |  | 3,774,242,645.80 |
| Bad debt provision               |  | 429,368,620.66   |
| total                            |  | 3,344,874,025.14 |

The benchmark adopted for the aging analysis of the company's accounts receivable is: the aging of accounts receivable refers to the time length of the accounts receivable that the company has not yet collected. The time of issuing the invoice is used as the benchmark, and the balance at the end of the period is calculated one by one from the end of the period. Forward confirmation, divided into within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, and more than 5 years, until the amount reaches the balance.

(2) Provision for bad debts accrued, recovered or reversed in the current period

| Provision for bad debts in this period:        |                 |  |               |       | unit: yuan     |
|--|-----------------|--|---------------|-------|----------------|
| category                                       | Opening Balance | Amount of change in the current period |               |       | Ending balance |
|  |                 | Withdrawal or transfer back            | write off     | other |                |
| Provision for bad debts of accounts receivable | 449,301,452.02  | 24,272,047.17                          | 44,204,878.53 |       | 429,368,620.66 |
| total  | 449,301,452.02  | 24,272,047.17                          | 44,204,878.53 |       | 429,368,620.66 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

4. Accounts receivable (continued)

(3) Accounts receivable of the top five ending balances collected by debtors

The total amount of the top five accounts receivable at the end of the period collected by the debtor is 993,954,677.24 yuan, accounting for 26.34% of the total balance of accounts receivable at the end of the period, and the corresponding provision for bad debts is 84,278,220.02 yuan.

unit: yuan

| Accounts receivable at the end of the period |  |                               |   |
|--|--|-------------------------------|---|
| company name                                 | Closing balance of accounts receivable | Proportion of total balance % | Ending balance of provision for bad debts |
| customer one                                 | 362,603,555.55                         | 9.61                          | 36,260,355.56                             |
| customer two                                 | 216,616,666.63                         | 5.74                          | 21,661,666.66                             |
| customer                                     | 162,551,050.61                         | 4.31                          | 1,137,857.35                              |
| three customer                               | 148,138,960.00                         | 3.92                          | 14,813,896.00                             |
| four customer five                           | 104,044,444.45                         | 2.76                          | 10,404,444.45                             |
| total  | 993,954,677.24                         | 26.34                         | 84,278,220.02                             |

5. Accounts receivable financing

unit: yuan

| project         | Ending balance | Opening Balance |
|-----------------|----------------|-----------------|
| bill receivable | 912,727,537.75 | 435,459,341.76  |
| total           | 912,727,537.75 | 435,459,341.76  |

Changes in increase and decrease of receivables financing in the current period and changes in fair value

ÿ Applicable ÿ Not applicable

If the account receivable financing impairment provision is made according to the general model of expected credit losses, please refer to the disclosure method of other receivables to disclose the relevant information of the impairment provision:

ÿ Applicable ÿ Not applicable

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

6. Advance payment

(1) Prepayments listed by aging

unit: yuan

| aging         | Ending balance   |            | Opening        |            |
|---------------|------------------|------------|----------------|------------|
|               | amount           | Proportion | balance amount | Proportion |
| 1 to 2 years  | 930,868,811.43   | 90.42%     | 803,771,958.81 | 90.16%     |
| within 1 year | 98,594,004.20    | 9.58%      | 87,713,119.65  | 9.84%      |
| total         | 1,029,462,815.63 | 100.00%    | 891,485,078.46 | 100.00%    |

(2) Prepayments of the top five end-of-period balances grouped by prepayment objects

The total amount of the top five prepayments collected by the prepayment objects at the end of the period is 414,189,015.01 yuan, accounting for 40.24% of the total closing balance of prepayments.

unit: yuan

| company name       | Proportion to the total ending |                        |
|--------------------|--------------------------------|------------------------|
|                    | Closing balance of prepayments | balance of prepayments |
| customer one       | 135,575,807.48                 | 13.17%                 |
| customer two       | 81,192,939.57                  | 7.89%                  |
| customer           | 69,416,290.74                  | 6.74%                  |
| three customer     | 66,168,628.32                  | 6.43%                  |
| four customer five | 61,835,348.90                  | 6.01%                  |
| total              | 414,189,015.01                 | 40.24%                 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

7. Other receivables

unit: yuan

| project                      | Ending balance   | Opening Balance  |
|------------------------------|------------------|------------------|
| Dividends                    | 3,501,220.33     |                  |
| receivable Other receivables | 2,207,843,920.89 | 2,252,864,083.00 |
| total                        | 2,211,345,141.22 | 2,252,864,083.00 |

(1) Dividends receivable

1y Dividend Receivable Classification

unit: yuan

| Project (or invested unit) | Ending balance | Opening Balance |
|----------------------------|----------------|-----------------|
| China Bohai Bank           | 3,501,220.33   |                 |
| total                      | 3,501,220.33   |                 |

(2) Other receivables

1y Classification of other receivables according to the nature of the receivables

unit: yuan

| Nature of payment             | Closing book balance | Opening book balance |
|-------------------------------|----------------------|----------------------|
| Current                       | 2,705,407,288.82     | 2,692,253,554.58     |
| account                       | 11,961,247.35        | 5,125,826.96         |
| security deposit reserve fund | 16,402,849.49        | 11,980,522.29        |
| and borrowing others          | 15,821,988.16        | 80,560,739.46        |
| total                         | 2,749,593,373.82     | 2,789,920,643.29     |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

7. Other receivables (continued)

(2) Other receivables (continued)

2. Provision for bad debts

unit: yuan

| Bad debt provision                          | The first stage                     | Expected credit                        | Expected credit           | total          |
|---|-------------------------------------|--|---------------------------|----------------|
|   | Expected credit                     | losses throughout                      | losses throughout         |                |
|   | losses in the next 12 months        | the duration of the                    | the duration of the third |                |
|   | second stage (no credit impairment) | stage (credit impairment has occurred) |                           |                |
| The balance on January 1, 2022              |                                     |  |                           |                |
| The   | 65,083,288.44                       |  | 471,973,271.85            | 537,056,560.29 |
| balance on January 1, 2022 is               |                                     |  |                           |                |
| accrued in the current                      |                                     |  |                           |                |
| period and                                  | 10,373,371.22                       |  | 4,214,604.41              | 14,587,975.63  |
| transferred back to                         | 7,277,542.09                        |  | 2,244,712.90              | 9,522,254.99   |
| the current period.                         |                                     |  |                           |                |
| Write off in the                            |                                     |  | 372,828.00                | 372,828.00     |
| current period.                             |                                     |  |                           |                |
| Other changes written off in the            |                                     |  |                           |                |
| current period The balance on June 30, 2022 | 68,179,117.57                       |  | 473,570,335.36            | 541,749,452.93 |

Disclosure by age

unit: yuan

| aging                            | Ending balance   | Opening Balance  |
|----------------------------------|------------------|------------------|
| Within 1 year (including 1 year) | 367,852,664.64   | 797,531,460.41   |
| 1 to 2 years                     | 1,375,315,037.38 | 1,344,225,352.93 |
| 2 to 3 years                     | 840,340,601.74   | 484,647,394.76   |
| More than 3 years                | 166,085,070.06   | 163,516,435.19   |
| total                            | 2,749,593,373.82 | 2,789,920,643.29 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

7. Other receivables (continued)

(2) Other receivables (continued)

3y Provision for bad debts accrued, recovered or reversed in the current period

Provision for bad debts in this period:

unit: yuan

| category                                     | Amount of change in the current period |                             |              |            | Ending balance |
|--|--|-----------------------------|--------------|------------|----------------|
|  | Opening Balance                        | Withdrawal or transfer back | write off    | other      |                |
| Provision for bad debts of other receivables | 537,056,560.29                         | 14,587,975.63               | 9,522,254.99 | 372,828.00 | 541,749,452.93 |
| total  | 537,056,560.29                         | 14,587,975.63               | 9,522,254.99 | 372,828.00 | 541,749,452.93 |

4y Other receivables of the top five ending balances collected by debtors

The total amount of the top five other receivables at the end of the period collected by the owner is 2,048,197,406.04 yuan, accounting for 74.49% of the total balance of other receivables at the end of the period, and the corresponding provision for bad debts is 349,073,379.24 yuan.

unit: yuan

| company name       | nature of payment | Closing balance aging                   | Proportion to the total             | Closing balance of      |
|--------------------|-------------------|---|-------------------------------------|-------------------------|
|                    |                   |   | ending balance of other receivables | provision for bad debts |
| customer one       | Current           | 684,000,000.00 1-2 years                | 24.88%                              | 102,600,000.00          |
| customer two       | money             | 533,800,000.00 1-2 years, 2-3 years     | 19.41%                              | 53,380,000.00           |
| customer           | Current           | 467,402,316.85 2-3 years                | 17.00%                              | 121,524,602.38          |
| three customer     | money             | 219,054,783.56 2-3 years                | 7.97%                               | 21,905,478.36           |
| four customer five | Current money     | 143,940,305.63 Within 1 year, 1-2 years | 5.23%                               | 49,663,298.50           |
| total              |                   | 2,048,197,406.04                        | 74.49%                              | 349,073,379.24          |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

8. Inventory

Does the company need to comply with the disclosure requirements of the real estate industry?

no

(1) Inventory classification

unit: yuan

| project                                       | Book balance                     | Closing balance                     |                  | Provision for inventory                      |                  | Book value     |                  |                  |                |
|---|----------------------------------|-------------------------------------|------------------|--|------------------|----------------|------------------|------------------|----------------|
|   |                                  | Inventory depreciation              |                  | decline in value at the beginning            |                  |                |                  |                  |                |
|   |                                  | reserve or contract                 |                  | of the period or provision                   |                  |                |                  |                  |                |
|   |                                  | performance cost impairment reserve |                  | for impairment of contract performance costs |                  |                |                  |                  |                |
| Raw materials 2,230,492,487.71                | Work in progress                 | 22,724,323.23                       | 2,207,768,164.48 | 1,734,387,984.21                             | 256,923,076.05   | 148,489,098.95 | 24,660,967.32    | 1,709,727,016.89 | 148,489,098.95 |
| 256,923,076.05                                | Inventory goods 1,428,278,746.93 |                                     | 4,941,686.65     | 1,423,337,060.28                             | 1,910,051,642.16 |                |                  |                  | 4,941,686.65   |
| Consumable biological assets 1,500,540,144.47 |                                  | 1,500,540,144.47                    | 1,519,305,850.77 |  |                  |                | 1,905,109,955.51 | 1,519,305,850.77 |                |
|   |                                  |                                     |                  |  |                  |                |                  |                  |                |
| total   | 5,416,234,455.16                 | 27,666,009.88                       | 5,388,568,445.28 | 5,312,234,576.09                             |                  |                | 29,602,653.97    | 5,282,631,922.12 |                |

(2) Provision for inventory decline and contract performance cost impairment provision

unit: yuan

| project            | Opening Balance | Accrual of increased amount in |       | Reversal or write-off of         |       | Ending balance |
|--------------------|-----------------|--------------------------------|-------|----------------------------------|-------|----------------|
|                    |                 | the current period             | other | reduced amount in current period | other |                |
| Raw                | 24,660,967.32   |                                |       | 1,936,644.09                     |       | 22,724,323.23  |
| material inventory | 4,941,686.65    |                                |       |                                  |       | 4,941,686.65   |
|                    |                 |                                |       |                                  |       |                |
| total              | 29,602,653.97   |                                |       | 1,936,644.09                     |       | 27,666,009.88  |

The basis for determining the net realizable value: the full amount of depreciation of spare parts with a long storage age; the negative gross profit of living paper and the depreciation of long storage age.

Reasons for the reversal or write-off of the inventory depreciation reserve in the current period: the write-off of the inventory depreciation reserve due to the sale of depreciated spare parts in the current period.



## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 9. Non-current assets due within one year

unit: yuan

| project                                   | Ending balance          | Opening Balance         |
|---|-------------------------|-------------------------|
| Long-term receivables due within one year | 5,216,044,182.27        | 5,216,934,172.61        |
| <b>total</b>                              | <b>5,216,044,182.27</b> | <b>5,216,934,172.61</b> |

Notes: y The long-term receivables due within one year of RMB 5,190,934,992.72 (the amount of RMB 5,188,103,553.61 in the previous year) are finance lease receivables;

y The long-term receivables due within one year of RMB 25,109,189.55 (the amount of RMB 28,830,619.00 in the previous year) is the deposit receivable.

## 10. Other current assets

unit: yuan

| project                                 | Ending balance          | Opening Balance         |
|---|-------------------------|-------------------------|
| Deferred                                | 560,638,082.42          | 195,453,994.69          |
| expenses receivable one-year            | 319,166,361.74          | 303,281,361.74          |
| factoring receivable one-year financing | 301,173,453.77          | 388,156,667.35          |
| lease receivable                        | 131,125,749.80          | 132,297,740.90          |
| prepaid tax input tax to be             | 36,815,815.92           | 807,004,437.68          |
| deducted other amounts                  | 66,667,806.98           | 77,735,290.49           |
| <b>total</b>                            | <b>1,415,587,270.63</b> | <b>1,903,929,492.85</b> |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

11. Long-term receivables

(1) Long-term receivables

unit: yuan

| project  | Ending balance   |                    |                  | Opening balance  |                    |                  | Book value discount rate range |
|--|------------------|--------------------|------------------|------------------|--------------------|------------------|--------------------------------|
|  | Book balance     | bad debt provision | Book value       | Book balance     | bad debt provision | Book value       |                                |
| Finance lease payment 8,305,095,187.79 Less:             | 1,277,639,823.58 | 7,027,455,364.21   | 8,344,107,765.88 | 1,211,551,549.72 | 7,132,556,216.16   | 4%-12%           |                                |
| Unrealized financing income 386,924,782.60               |                  | 386,924,782.60     | 366,945,292.53   |                  | 366,945,292.53     |                  |                                |
| Equipment leasing financing deposit 339,646,696.64       |                  | 339,646,696.64     | 272,996,696.64   |                  | 272,996,696.64     |                  |                                |
| Less: Unrealized financing income 36,559,819.83          |                  | 36,559,819.83      | 32,913,472.31    |                  | 32,913,472.31      |                  |                                |
| Subtotal   | 8,221,257,282.00 | 1,277,639,823.58   | 6,943,617,458.42 | 8,217,245,697.68 | 1,211,551,549.72   | 7,005,694,147.96 |                                |
| Less:  |                  |                    |                  |                  |                    |                  |                                |
| 6,322,849,988.47 long-term receivables due within 1 year |                  | 6,322,849,988.47   | 5,216,044,182.27 |                  | 6,244,230,790.74   | 1,027,296,618.13 | 5,216,934,172.61               |
| total  | 1,898,407,293.53 | 170,834,017.38     | 1,727,573,276.15 | 1,973,014,906.94 | 184,254,931.59     | 1,788,759,975.35 |                                |

Impairment of bad debt provision

unit: yuan

| Bad debt provision             | The first stage                              | Expected credit losses throughout the duration of the | Expected credit losses throughout the duration of the third stage (credit impairment has occurred) | total          |
|--------------------------------|--|---|--|----------------|
|                                | Expected credit losses in the next 12 months | second stage (no credit impairment stage)             | third stage (credit impairment has occurred)   |                |
| The balance on January 1, 2022 | 453,675.00                                   |   | 183,801,256.59   | 184,254,931.59 |
| The balance on June 30, 2022   | 453,675.00                                   |   | -13,420,914.21   | -13,420,914.21 |
|                                |  |   | 170,380,342.38   | 170,380,342.38 |

Note: Other changes are the transfer of bad debt provision for long-term financing lease payments due within one year from long-term receivables to non-current assets due within one year in the current period.

Changes in the book balance of loss provisions with significant changes in the current period

✓ Applicable    ✗ Not applicable

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

12. Long-term equity investment

unit: yuan

| Invested unit                             | Opening              | Changes to increase or |                   |   |   | Announcement of                                       | Ending                         | Closing balance of       |
|---|----------------------|------------------------|-------------------|---|---|---|--------------------------------|--------------------------|
|   | balance (book value) | additional investment  | reduce investment | increase recognized under the equity method | decrease in the   | cash dividends or provision for impairment of profits |                                |                          |
|   |                      |                        |                   |   | current period Adjustment of other comprehensive income | Changes in other equity                               | other                          | balance (book value)     |
|   |                      |                        |                   |   |   |   |                                | provision for impairment |
| 1. Joint venture                          |                      |                        |                   |   |   |   |                                |                          |
| Shouguang Chenming Huisan                 |                      |                        |                   |   |   |   |                                |                          |
| New Building Materials                    | 6,902,869.87         |                        |                   | -215,525.03                                 |   | 1,000,000.00  |                                | 5,687,344.84             |
| Co., Ltd. Wafang Sima Dairy               |                      |                        |                   |   |   |   |                                |                          |
| Wafang Co.,                               | 77,370,998.75        |                        |                   | -3,008,474.82                               |   |   |                                | 74,362,523.93            |
| Ltd. Shouguang Mella                      |                      |                        |                   |   |   |   |                                |                          |
| Environmental                             | 14,616,124.71        |                        |                   | -2,841,259.42                               |   |   |                                | 11,774,865.29            |
| Protection Technology Co., Ltd.           |                      |                        |                   |   |   |   |                                |                          |
| Wafang Xingxing United Chemical Co., Ltd. | 84,623,787.74        |                        |                   | 7,250,597.38                                |   |   |                                | 91,874,385.12            |
| Subtotal                                  | 183,513,781.07       |                        |                   | 1,185,338.11                                |   | 1,000,000.00  |                                | 183,699,119.18           |
| 2. Associated                             |                      |                        |                   |   |   |   |                                |                          |
| companies Zhuhai Dechen NEEQ              |                      |                        |                   |   |   |   |                                |                          |
| Equity Investment                         |                      |                        |                   |   |   |   |                                |                          |
| Fund Enterprise                           | 36,967,896.31        |                        |                   | -2,003,052.15                               |   |   |                                | 34,964,844.16            |
| (Limited Partnership) Ningbo              |                      |                        |                   |   |   |   |                                |                          |
| Qichen Huamei Equity                      |                      |                        |                   |   |   |   |                                |                          |
| Investment Fund                           | 197,297,485.59       |                        |                   | -3,217.73                                   |   |   |                                | 197,294,267.86           |
| Partnership (Limited Partnership)         | 554,582.45           |                        |                   | -61,479.47                                  |   |   |                                | 493,102.98               |
| Jiangxi Chenming Port Co.,                | 185,452,462.50       |                        |                   | -2,317,934.80                               |   |   |                                | 183,134,527.70           |
| Ltd. Jinan Futures Co., Ltd.              |                      |                        |                   |   |   |   |                                |                          |
| Chenming (Qingdao)                        | 6,933,668.14         |                        |                   | -107,419.58                                 |   | 940,000.00  |                                | 5,886,248.56             |
| Asset Management Co., Ltd.                |                      |                        |                   |   |   |   |                                |                          |
| Company Guangdong Nanyue Bank Co., Ltd.   | 295,867,809.29       |                        |                   | 29,924,322.20                               | 4,743,150.54 -55,547,014.21                             |   | 83,754,093.05 1,318,742,360.87 |                          |
| Subtotal                                  | 1,683,073,904.28     |                        |                   | 25,431,218.47                               | 4,743,150.54 -55,547,014.21                             | 940,000.00  | 83,754,093.05 1,740,515,352.13 |                          |
| total                                     | 1,866,587,685.35     |                        |                   | 26,616,556.58                               | 4,743,150.54 -55,547,014.21                             | 1,940,000.00  | 83,754,093.05 1,924,214,471.31 |                          |

Note: For other changes in Guangdong Nanyue Bank Co., Ltd., please refer to VII. 46. Undistributed profits.

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

13. Other non-current financial assets

unit: yuan

| project                          | Ending balance | Opening Balance |
|----------------------------------|----------------|-----------------|
| Investment in debt instruments   | 400,000,000.00 | 400,000,000.00  |
| Investment in equity instruments | 119,927,003.25 | 119,927,003.25  |
| total                            | 519,927,003.25 | 519,927,003.25  |

14. Investment real estate

(1) Investment real estate that adopts the cost measurement model

ÿ Applicable ÿ Not applicable

unit: yuan

| project  | building         | total            |
|--|------------------|------------------|
| 1. Original book value   |                  |                  |
| 1. Opening balance 2.  | 7,196,809,856.62 | 7,196,809,856.62 |
| Increased amount in the current period 3. Decreased amount in the current period | 34,204,125.58    | 34,204,125.58    |
| (1) Disposal 4.  | 34,204,125.58    | 34,204,125.58    |
| Closing balance 2.   | 7,162,605,731.04 | 7,162,605,731.04 |
| Accumulated depreciation and   |                  |                  |
| accumulated  | 723,271,424.71   | 723,271,424.71   |
| amortization 1. Opening  | 97,852,182.59    | 97,852,182.59    |
| balance 2. Increase in   | 97,852,182.59    | 97,852,182.59    |
| current period (1) Accrual or  | 16,514,383.58    | 16,514,383.58    |
| amortization 3.  | 16,514,383.58    | 16,514,383.58    |
| Decrease in current period (1) Disposal 4. Ending balance                        | 804,609,223.72   | 804,609,223.72   |
| 3. Provision for impairment  |                  |                  |
| 4. Book value 1. Book  |                  |                  |
| value at the end of the period 2.  | 6,357,996,507.32 | 6,357,996,507.32 |
| Book value at the beginning of the period  | 6,473,538,431.91 | 6,473,538,431.91 |

Note: The investment real estate under the name of the company mainly includes:

- ÿ Pujiang International Financial Plaza, located at No. 1098, Dongdaming Road, Hongkou District, Shanghai, is an office building property held by Shanghai Hongtai Real Estate Co., Ltd., a subsidiary of the company, mainly for external rental or office;
- ÿ Jinan Chenming Financial Building, located in District 7, Hanyu Financial Business Center, No. 7000 Jingshi Road, High-tech Zone, Jinan, belongs to the long-term office property held by Shandong Chenming Investment Co., Ltd., a subsidiary of the company, and is mainly used for external rental or office;
- ÿ Fado Apartment, located at No. 22, Lane 467, Anbo Road, Yangpu District, Shanghai, No. 463, Anbo Road, belongs to the long-term holding of Shanghai Herui Investment Co., Ltd., a subsidiary of the company Apartment properties, mainly for external rental;
- ÿ Guangzhou Grandview Plaza, located at Room 3901-3926, No. 372 Huanshi East Road, Yuexiu District, Guangzhou, belongs to the company's subsidiary Guangzhou Chenming Financial Leasing Co., Ltd. The office properties held are mainly used for external rental;
- ÿ Shenzhen Zhuoyue Baozhong Times Square, located in Room 3201-3210, Building C, Phase II, Zhuoyue Baozhong Times Square, Xin'an Street, Bao'an District, Shenzhen, belongs to the company's subsidiary Guangzhou Chen The office building property held by Ming Financial Leasing Co., Ltd. for a long time is mainly used for external rental.

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VII. Notes to items in the consolidated financial statements (continued)

14. Investment real estate (continued)

(2) Investment real estate that adopts the fair value measurement model

ÿ Applicable ÿ Not applicable

15. Fixed assets

unit: yuan

| project                | Ending balance    | Opening Balance   |
|------------------------|-------------------|-------------------|
| Fixed Assets           | 34,234,454,423.74 | 35,653,492,676.15 |
| Fixed Assets Clearance | 156,159,044.44    |                   |
| total                  | 34,390,613,468.18 | 35,653,492,676.15 |

(1) Fixed assets

unit: yuan

| project  | houses and buildings | mechanical equipment | Transportation equipment | Electronic equipment and others | total             |
|--|----------------------|----------------------|--------------------------|---------------------------------|-------------------|
| 1. Original book value: 1.                     |                      |                      |                          |                                 |                   |
| Opening balance 2.                             | 10,673,297,551.11    | 43,798,170,683.63    | 296,201,440.65           | 457,044,021.47                  | 55,224,713,696.86 |
| Increased amount in the current                | 13,020,952.59        | 199,719,424.32       | 4,390,603.45             | 2,238,220.64                    | 219,369,201.00    |
| period (1) Purchase                            | 10,631,731.64        | 182,387,984.58       | 4,390,603.45             | 2,238,220.64                    | 199,648,540.31    |
| (2) Construction in progress transferred in    | 2,389,220.95         | 17,331,439.74        |                          |                                 | 19,720,660.69     |
| 3. Decrease in current period                  | 285,863,638.92       | 976,732,568.64       | 13,779,612.55            | 59,767,224.05                   | 1,336,143,044.16  |
| (1) Disposal or scrapping                      | 285,863,638.92       | 103,807,390.96       | 6,949,954.65             | 5,394,800.07                    | 402,015,784.60    |
| (2) Transfer to construction                   |                      | 872,925,177.68       | 6,829,657.90             | 54,372,423.98                   | 934,127,259.56    |
| in progress 4. Ending                          | 10,400,454,864.78    | 43,021,157,539.31    | 286,812,431.55           | 399,515,018.06                  | 54,107,939,853.70 |
| balance 2. Accumulated                         |                      |                      |                          |                                 |                   |
| depreciation 1.                                | 2,302,130,749.09     | 16,572,843,548.56    | 190,913,517.71           | 300,377,759.61                  | 19,366,265,574.97 |
| Beginning balance 2.                           | 139,516,595.65       | 882,260,896.51       | 12,239,386.69            | 6,311,342.20                    | 1,040,328,221.05  |
| Increase in                                    | 139,516,595.65       | 882,260,896.51       | 12,239,386.69            | 6,311,342.20                    | 1,040,328,221.05  |
| current period (1) Accrual 3.                  | 127,122,561.19       | 546,256,740.86       | 12,042,168.41            | 52,642,341.34                   | 738,063,811.80    |
| Decrease in current                            | 127,122,561.19       | 56,609,567.13        | 6,206,488.67             | 4,937,781.19                    | 194,876,398.18    |
| period ( 1) Disposal or                        |                      | 489,647,173.73       | 5,835,679.74             | 47,704,560.15                   | 543,187,413.62    |
| scrapping (2) Transfer                         | 2,314,524,783.55     | 16,908,847,704.21    | 191,110,735.99           | 254,046,760.47                  | 19,668,529,984.22 |
| to construction in                             |                      |                      |                          |                                 |                   |
| progress 4. Closing                            | 27,808,852.79        | 169,697,469.90       | 13,889.13                | 7,435,233.92                    | 204,955,445.74    |
| balance 3. Impairment                          |                      |                      |                          |                                 |                   |
| provision 1. Opening balance                   |                      |                      |                          |                                 |                   |
| 2. Increase in current                         | 27,808,852.79        | 169,697,469.90       | 13,889.13                | 7,435,233.92                    | 204,955,445.74    |
| period 3. Decrease in                          |                      |                      |                          |                                 |                   |
| current period 4. Closing                      | 8,058,121,228.44     | 25,942,612,365.20    | 95,687,806.43            | 138,033,023.67                  | 34,234,454,423.74 |
| balance 4. Book value 1. Closing book Value 2. | 26,943,357,949.25    | 27,055,629,665.17    | 105,274,033.81           | 149,231,027.94                  | 35,653,492,676.15 |

Other notes: The fixed assets transferred to construction in progress in this period are mainly Wuhan Chenming relocation equipment.

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

15. Fixed assets (continued)

(2) Temporarily idle fixed assets

unit: yuan

| project                                   | original book value | accumulated depreciation | Provision for impairment | Book value     | Remark |
|---|---------------------|--------------------------|--------------------------|----------------|--------|
| Housing and Building                      | 72,585,434.37       | 23,096,137.95            | 3,093,008.64             | 46,396,287.78  |        |
| Machinery                                 | 913,076,851.75      | 545,378,538.71           | 150,706,985.59           | 216,991,327.45 |        |
| Equipment Electronic Equipment and Others | 754,860.94          | 704,151.45               | 7,187.27                 | 43,522.22      |        |
| total                                     | 986,417,147.06      | 569,178,828.11           | 153,807,181.50           | 263,431,137.45 |        |

(3) Fixed assets whose title certificates have not been completed

unit: yuan

| project  | Book value   | Reasons for not completing the certificate of title                 |
|--|--|---|
| Buildings (Zhanjiang Chenming Pulp & Paper Co., Ltd.)  | 1,053,074,557.83   | under management  |
| Buildings (Huanggang Chenming Pulp & Paper Co., Ltd.)  | 644,514,086.42   | under management  |
| Buildings (Shouguang Meilun Paper Co., Ltd.) Buildings (Jilin Chenming Paper Co., Ltd.) Buildings Buildings (Jiangxi Chenming Paper Co., Ltd.) Buildings (Shandong Chenming Paper Group Co., Ltd.) | 470,055,885.46<br>380,384,086.36<br>202,694,998.89<br>109,652,457.94 | under management under management under management under management |

(4) Fixed assets liquidation

unit: yuan

| project              | Ending balance | Opening Balance |
|----------------------|----------------|-----------------|
| houses and buildings | 156,159,044.44 |                 |
| total                | 156,159,044.44 |                 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

16. Construction in progress

unit: yuan

| project                  | Ending balance | Opening Balance |
|--------------------------|----------------|-----------------|
| Construction in progress | 794,536,482.04 | 189,818,292.48  |
| engineering materials    | 7,871,202.97   | 7,931,233.57    |
| total                    | 802,407,685.01 | 197,749,526.05  |

(1) Construction in progress

unit: yuan

| project   | Book balance   | Provision for impairment            |                | Book value     | Provision for                 |                | Book value    |
|---|----------------|-------------------------------------|----------------|----------------|-------------------------------|----------------|---------------|
|   |                | of balance at the end of the period |                |                | impairment of opening balance |                |               |
| Wuhan relocation project                                      | 331,878,795.25 |                                     |                | 331,878,795.25 |                               |                |               |
| technical   | 247,802,083.62 |                                     |                | 247,802,083.62 | 50,534,096.04                 |                | 50,534,096.04 |
| transformation project fly ash sludge                         |                |                                     |                |                |                               |                |               |
| ceramsite project   | 54,246,139.19  |                                     |                | 54,246,139.19  |                               |                | 54,246,139.19 |
| (Shandong Chenming) Wuhan household paper                     |                |                                     |                |                |                               |                |               |
| phase II relocation project (Meilun)                          | 74,442,135.96  | Forestry,                           |                | 74,442,135.96  | 28,705,483.25                 | 28,705,483.25  | 16,687,683.29 |
| pulp and paper integration project (Huanggang pulp and paper) | 27,288,850.20  |                                     |                | 21,138,671.76  | 58,878,477.82                 | 60,783,562.47  | 21,138,671.76 |
| Others  |                |                                     |                |                |                               | 39,644,890.71  |               |
| total   | 815,675,153.80 | 21,138,671.76                       | 794,536,482.04 | 210,956,964.24 | 21,138,671.76                 | 189,818,292.48 |               |

(2) Changes in important construction projects in the current period

unit: yuan

| project name                                 | Budget         | Opening Balance | Amount transferred |                    |                   | Ending balance | Proportion of                |                  | Including capitalized          |                    |                     |
|--|----------------|-----------------|--------------------|--------------------|-------------------|----------------|------------------------------|------------------|--------------------------------|--------------------|---------------------|
|  |                |                 | Amount of increase | to fixed assets in | Other decrease    |                | accumulated                  | Accumulated      | amount of interest in          | Current interest   | Sources             |
|  |                |                 | In this period     | the current period | In current period |                | project investment to budget | Project progress | amount of interest capitalized | the current period | capitalization rate |
| Wuhan Household                              | 109,000,000.00 | 28,705,483.25   | 45,736,652.71      |                    |                   | 74,442,135.96  | 68.30%                       | 90.00%           |                                |                    | self-owned          |
| Paper Phase I                                |                |                 |                    |                    |                   |                |                              |                  |                                |                    | loaned              |
| Relocation Project                           |                |                 |                    |                    |                   |                |                              |                  |                                |                    |                     |
| (Meilun)                                     | 70,000,000.00  | 16,687,683.29   | 10,601,166.91      |                    |                   | 27,288,850.20  | 95.00%                       | 99.00%           |                                |                    | own                 |
| Forestry Pulp Paper                          |                |                 |                    |                    |                   |                |                              |                  |                                |                    |                     |
| Integration Project (Huanggang Pulp & Paper) |                |                 |                    |                    |                   |                |                              |                  |                                |                    |                     |
| total  | 179,000,000.00 | 45,393,166.54   | 56,337,819.62      |                    |                   | 101,730,986.16 |                              |                  |                                |                    |                     |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

16. Construction in progress (continued)

(3) Engineering materials

unit: yuan

| project          | Provision for impairment |                                     | Provision for |                               |
|------------------|--------------------------|-------------------------------------|---------------|-------------------------------|
|                  | Book balance             | of balance at the end of the period | Book balance  | impairment of opening balance |
| special material | 7,871,202.97             | 7,871,202.97                        | 7,931,233.57  | 7,931,233.57                  |
| total            | 7,871,202.97             | 7,871,202.97                        | 7,931,233.57  | 7,931,233.57                  |

17. Productive biological assets

(1) Productive biological assets adopting the cost measurement model

ÿ Applicable ÿ Not applicable

unit: yuan

| project                                   | tea industry  | total         |
|---|---------------|---------------|
| 1. Original book value:                   |               |               |
| 1. Opening balance                        |               |               |
| 2. Increase in current period             | 10,398,523.90 | 10,398,523.90 |
| (1) Outsourcing                           | 10,398,523.90 | 10,398,523.90 |
| 3. Decrease in current                    |               |               |
| period 4. Ending balance                  | 10,398,523.90 | 10,398,523.90 |
| 2. Accumulated depreciation               |               |               |
| 3. Provision for impairment               |               |               |
| 4. Book value 1. Book                     |               |               |
| value at the end of the period 2.         | 10,398,523.90 | 10,398,523.90 |
| Book value at the beginning of the period |               |               |



## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 18. Right-of-use assets

unit: yuan

| project  | Land use rights | building     | total          |
|--|-----------------|--------------|----------------|
| 1. Original book value                           |                 |              |                |
| 1. Opening balance 2.                            | 218,097,859.06  | 5,571,378.54 | 223,669,237.60 |
| Increased amount in the current                  |                 |              |                |
| period 3. Decreased amount in the current period | 7,855,845.81    | 12,385.32    | 7,868,231.13   |
| (1) Sublease is finance lease (2)                |                 |              |                |
| Transfer or held for sale (3)                    |                 |              |                |
| Other decrease 4.                                | 7,855,845.81    | 12,385.32    | 7,868,231.13   |
| Closing balance                                  | 210,242,013.25  | 5,558,993.22 | 215,801,006.47 |
| 2. Accumulated depreciation                      |                 |              |                |
| 1. Opening balance                               | 25,467,932.29   | 772,128.87   | 26,240,061.16  |
| 2. Increase in current                           | 3,777,115.05    | 139,064.74   | 3,916,179.79   |
| period (1)                                       | 3,777,115.05    | 139,064.74   | 3,916,179.79   |
| Accrual 3. Decrease in                           | 3,185,888.24    |              | 3,185,888.24   |
| current period (1) Sublease as                   |                 |              |                |
| finance lease (2) Transfer or                    |                 |              |                |
| held for sale (3)                                | 3,185,888.24    |              | 3,185,888.24   |
| Other decrease 4. Ending balance                 | 26,059,159.10   | 911,193.61   | 26,970,352.71  |
| 3. Provision for impairment                      |                 |              |                |
| 4. Book value 1. Book                            |                 |              |                |
| value at the end of the period 2.                | 184,182,854.15  | 4,647,799.61 | 188,830,653.76 |
| Book value at the beginning of the period        | 192,629,926.77  | 4,799,249.67 | 197,429,176.44 |

Other explanations: Other decreases in this period are mainly due to the termination of some lease contracts of Zhanjiang Forestry and Yangjiang Forestry.

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

19. Intangible assets

(1) Intangible assets

unit: yuan

| project   | Land use rights  | software      | patent        | other warrants | total            |
|---|------------------|---------------|---------------|----------------|------------------|
| 1. Original book value 1.                           |                  |               |               |                |                  |
| Opening balance 2.                                  | 2,040,126,983.35 | 21,946,825.64 | 27,358,613.05 | 15,908,674.87  | 2,105,341,096.91 |
| Increased amount in the current                     | 305,847,919.65   | 107,606.09    |               |                | 305,955,525.74   |
| period (1) Purchase                                 | 305,847,919.65   | 107,606.09    |               |                | 305,955,525.74   |
| 3. Decreased amount in the                          |                  |               |               |                |                  |
| current period 4. Closing                           | 2,345,974,903.00 | 22,054,431.73 | 27,358,613.05 | 15,908,674.87  | 2,411,296,622.65 |
| balance 2. Accumulated                              |                  |               |               |                |                  |
| amortization 1. Opening                             | 474,004,742.76   | 21,814,590.97 | 940,153.77    | 15,908,674.87  | 512,668,162.37   |
| balance 2. Increased amount in                      | 22,827,920.24    | 239,840.76    | 5,059,845.73  |                | 28,127,606.73    |
| the current period                                  | 22,827,920.24    | 239,840.76    | 5,059,845.73  |                | 28,127,606.73    |
| (1) Withdrawal 3 . Decrease in                      |                  |               |               |                |                  |
| current period 4. Closing                           | 496,832,663.00   | 22,054,431.73 | 5,999,999.50  | 15,908,674.87  | 540,795,769.10   |
| balance 3. Impairment                               |                  |               |               |                |                  |
| provision 4. Book value                             |                  |               |               |                |                  |
| 1. Book value at the end of the                     | 1,849,142,240.00 |               | 21,358,613.55 |                | 1,870,500,853.55 |
| period 2. Book value at the beginning of the period | 1,566,122,240.59 | 132,234.67    | 26,418,459.28 |                | 1,592,672,934.54 |

20. Goodwill

(1) Original book value of goodwill

unit: yuan

| The name of the invested unit or matters forming goodwill | Opening balance | Increase in current period | Decrease in current period | Ending balance |
|---|-----------------|----------------------------|----------------------------|----------------|
| Jilin Chenming Paper Co., Ltd.                            | 14,314,160.60   |                            |                            | 14,314,160.60  |
| Kunshan Tuoan Plastic Products Co., Ltd.                  | 26,946,905.38   |                            |                            | 26,946,905.38  |
| total   | 41,261,065.98   |                            |                            | 41,261,065.98  |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

20. Goodwill (continued)

(2) Goodwill impairment provision

unit: yuan

| The name of the invested unit or matters forming goodwill | Opening balance | Increase in current period | Decrease in current period | Ending balance |
|---|-----------------|----------------------------|----------------------------|----------------|
| Jilin Chenming Paper Co., Ltd.                            | 14,314,160.60   |                            |                            | 14,314,160.60  |
| total   | 14,314,160.60   |                            |                            | 14,314,160.60  |

Note: The company assessed the recoverable amount of goodwill and determined that the goodwill related to the company's plastic business has not been impaired. The company takes the main business category as the basis for determining the reporting segment, and regards Kunshan Tuohan Plastic Products Co., Ltd. as an asset group as a whole. The recoverable amount is determined according to the present value of estimated future cash flow. The future cash flow is determined based on the financial budget approved by the management from 2022 to 2026, and the discount rate is 7.28%, which is the interest rate of the five-year bond issued by the company in 2018. The cash flow over five years is calculated at a growth rate of 5%. Basic calculations. Other key assumptions used in projecting future cash flows include estimating projected sales and gross profit based on the asset group's past performance and management's expectations for market development. The management believes that any reasonable change in the above assumptions will not cause the total book value of the asset group Kunshan Tuohan Plastic Products Co., Ltd. to exceed its recoverable amount.

21. Long-term deferred expenses

unit: yuan

| project     | Opening balance | Increase in current period | Amortization in current period | Other decrease in period | Ending balance |
|-------------|-----------------|----------------------------|--------------------------------|--------------------------|----------------|
| Forest land | 8,387,048.73    |                            | 330,907.01                     |                          | 8,056,141.72   |
| costs other | 40,754,724.41   | 327,354.38                 | 1,724,989.22                   |                          | 39,357,089.57  |
| total       | 49,141,773.14   | 327,354.38                 | 2,055,896.23                   |                          | 47,413,231.29  |

## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 22. Deferred income tax assets/deferred income tax liabilities

## (1) Deferred income tax assets without offset

unit: yuan

| project                              | Ending balance Beginning balance Deductible temporary differences |                                  |                            |                  |
|--------------------------------------|---|----------------------------------|----------------------------|------------------|
|                                      | Deferred income tax assets  | Deductible temporary differences | Deferred income tax assets |                  |
| Provision for asset                  | 2,455,477,182.77  | 563,980,277.58                   | 2,323,311,804.03           | 544,452,793.22   |
| impairment Internal transactions     | 12,642,619.20   | 3,160,654.80                     | 110,621,031.60             | 27,655,257.90    |
| Unrealized profits Payable           | 538,978,299.84  | 81,648,513.55                    | 646,596,211.53             | 97,758,308.63    |
| and unpaid                           | 95,262,644.06   | 14,289,396.61                    | 202,273,476.76             | 30,341,021.50    |
| deferred income                      | 3,035,129,439.03  | 496,416,204.06                   | 2,508,683,883.40           | 409,890,367.80   |
| Deductible losses Debt restructuring | 18,734,830.91   | 4,683,707.73                     | 18,734,830.91              | 4,683,707.73     |
| total                                | 6,156,225,015.81  | 1,164,178,754.33                 | 5,810,221,238.23           | 1,114,781,456.78 |

## (2) Deferred income tax liabilities not offset

unit: yuan

| project   | Ending Balance Beginning Balance Taxable Temporary Differences Deferred |                               |                                 |               |
|---|---|-------------------------------|---------------------------------|---------------|
|   | Income Tax Liabilities  | Taxable Temporary Differences | Deferred Income Tax Liabilities |               |
| Merger of enterprises not under common control Asset appraisal Appreciation | 20,900,574.28   | 5,225,143.57                  | 22,697,097.44                   | 5,674,274.36  |
| Debt restructuring  | 30,145,021.52   | 7,536,255.38                  | 30,145,021.52                   | 7,536,255.38  |
| total   | 51,045,595.80   | 12,761,398.95                 | 52,842,118.96                   | 13,210,529.74 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

22. Deferred income tax assets/deferred income tax liabilities (continued)

(3) Details of unrecognized deferred income tax assets

unit: yuan

| project                          | Ending balance | Opening Balance |
|----------------------------------|----------------|-----------------|
| Deductible temporary differences | 1,813,440.18   | 1,671,856.52    |
| against deductible losses        | 562,971,551.27 | 730,122,476.10  |
| total                            | 564,784,991.45 | 731,794,332.62  |

(4) The deductible loss of unrecognized deferred income tax assets will expire in the following year

unit: yuan

| years | Ending amount  | Beginning amount | Remark |
|-------|----------------|------------------|--------|
| 2022  |                | 166,532,843.73   |        |
| 2023  | 129,503,478.05 | 129,523,478.05   |        |
| 2024  | 83,139,688.19  | 90,461,838.25    |        |
| 2025  | 249,241,618.81 | 249,242,062.93   |        |
| 2026  | 91,781,165.80  | 94,362,253.14    |        |
| 2027  | 9,305,600.42   |                  |        |
| total | 562,971,551.27 | 730,122,476.10   |        |

23. Other non-current assets

unit: yuan

| project                         | Book balance   | Provision for impairment            |                | Book balance   | Provision for                 |                |
|---------------------------------|----------------|-------------------------------------|----------------|----------------|-------------------------------|----------------|
|                                 |                | of balance at the end of the period | Book value     |                | impairment of opening balance | Book value     |
| Land transfer fee to            | 2,612,250.68   |                                     | 2,612,250.68   | 298,072,250.68 |                               | 298,072,250.68 |
| purchase company                | 127,500,000.00 |                                     | 127,500,000.00 | 754,553,629.73 | 64,364,443.42                 | 127,500,000.00 |
| funds for engineering equipment | 754,553,629.73 |                                     |                |                |                               | 64,364,443.42  |
| total                           | 884,665,880.41 |                                     | 884,665,880.41 | 489,936,694.10 |                               | 489,936,694.10 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

24. Short-term loans

(1) Classification of short-term loans

unit: yuan

| project            | Ending balance    | Opening Balance   |
|--------------------|-------------------|-------------------|
| Discount Loan      | 16,105,340,000.00 | 16,194,790,000.00 |
| Credit Loan        | 10,398,695,390.93 | 8,847,850,884.15  |
| Guaranteed         | 9,290,708,673.83  | 7,734,756,765.41  |
| Loan Pledged       | 494,919,879.81    | 675,627,536.66    |
| Loan Mortgage Loan | 70,000,000.00     | 70,000,000.00     |
| total              | 36,359,663,944.57 | 33,523,025,186.22 |

Explanation on the classification of short-term loans: ̳For the types and amounts of mortgage assets of mortgage loans, please refer to Note VII. 1 Monetary funds and VII. 65 Assets with restricted ownership or right to use. ̳ For the type and amount of pledged assets for pledged loans, please refer to Note VII. 1 Monetary funds and VII. 65 Assets with restricted ownership or use rights. ̳Overdue short-term loans: the total amount of overdue short-term loans at the end of the period is 0.00 yuan. ̳ Short-term loans include interest payable of RMB 20,223,803.64.

25. Accounts payable

(1) List of accounts payable

unit: yuan

| project                 | Ending balance   | Opening Balance  |
|-------------------------|------------------|------------------|
| Payment for             | 2,914,753,971.61 | 3,074,700,464.48 |
| goods, project          | 157,856,765.00   | 307,195,168.83   |
| payment,                | 149,196,495.80   | 249,371,719.69   |
| equipment payment, etc. | 47,179,699.25    | 239,863,992.34   |
| total                   | 3,268,986,931.66 | 3,871,131,345.34 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

25. Accounts payable (continued)

(2) Disclosure by aging

unit: yuan

| aging                            | Ending balance   | Opening Balance  |
|----------------------------------|------------------|------------------|
| Within 1 year (including 1 year) | 2,758,073,611.38 | 3,282,236,529.52 |
| 1 to 2 years                     | 209,075,559.49   | 229,465,372.73   |
| 2 to 3 years                     | 99,325,225.63    | 164,915,158.41   |
| More than 3 years                | 202,512,535.16   | 194,514,284.68   |
| total                            | 3,268,986,931.66 | 3,871,131,345.34 |

The benchmark adopted for the aging analysis of the company's accounts payable is: the age of accounts payable refers to the length of time for the company's unpaid accounts payable, with the time of invoice entry as the benchmark, and the balance at the end of the period is confirmed one by one from the end of the period , divided into within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, and more than 5 years, until the amount reaches the balance.

(3) Important accounts payable with aging over 1 year

unit: yuan

| project   | Reasons for outstanding or carried forward balances at the end of the period |
|---|--|
| Weifang Xingxing United Chemical Co., Ltd.        | 26,905,494.34<br>The time for payment has not yet arrived                    |
| Nanchang Omiya Haiming Chemical Co., Ltd.         | 16,000,000.00<br>The time for payment has not yet arrived                    |
| Fujian Economic Development Co., Ltd.             | 13,939,237.55<br>The time for payment has not yet arrived                    |
| Jiangsu Ronghai International Logistics Co., Ltd. | 11,159,904.40<br>The time for payment has not yet arrived                    |
| Zhejiang Zhida Pipe Industry Co., Ltd.            | 10,556,896.91<br>The time for payment has not yet arrived                    |
| total   | 78,561,533.20  |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

26. Notes payable

unit: yuan

| kinds                       | Ending balance   | Opening Balance  |
|-----------------------------|------------------|------------------|
| commercial acceptance       | 2,201,811,787.06 | 1,398,922,636.21 |
| draft bank acceptance draft | 1,833,269,491.79 | 1,690,589,691.19 |
| total                       | 4,035,081,278.85 | 3,089,512,327.40 |

27. Advance payment

(1) List of advance receipts

unit: yuan

| project                     | Ending balance | Opening Balance |
|-----------------------------|----------------|-----------------|
| Advance rental property fee | 26,735,329.19  | 38,274,028.20   |
| total                       | 26,735,329.19  | 38,274,028.20   |

28. Contract liabilities

unit: yuan

| project         | Ending balance   | Opening Balance  |
|-----------------|------------------|------------------|
| Advance payment | 1,334,133,746.95 | 1,382,289,597.54 |
| total           | 1,334,133,746.95 | 1,382,289,597.54 |



Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

29. Salaries payable to employees

(1) List of employee salaries payable

unit: yuan

| project  | Opening Balance | Increase in this period | Decrease in this period | Ending balance |
|--|-----------------|-------------------------|-------------------------|----------------|
| 1. Short-term salary 2.                              | 169,854,249.70  | 576,356,055.71          | 620,357,407.71          | 125,852,897.70 |
| Post-employment benefits - defined contribution plan | 44,758.31       | 103,813,852.43          | 266,898.58              | 99,083,756.91  |
| 3. Termination benefits                              |                 |                         |                         | 266,898.58     |
| total  | 169,899,008.01  | 680,436,806.72          | 719,708,063.20          | 130,627,751.53 |

(2) List of short-term salary

unit: yuan

| project   | Opening Balance | Increase in this period | Decrease in this period | Ending balance |
|---|-----------------|-------------------------|-------------------------|----------------|
| 1. Wages, bonuses, allowances and subsidies         | 160,186,039.82  | 460,654,365.60          | 509,443,300.19          | 111,397,105.23 |
| 2. Employee benefits 3.                             |                 | 47,123,115.79           | 42,514,565.07           | 42,648,640.07  |
| Social insurance                                    | 346,948.68      | 2,814,757.90            | 2,766,750.90            | 1,705,226.74   |
| Including: medical insurance,                       | 344,352.16      | 1,707,724.82            | 36,592,873.38           | 35,777,051.48  |
| work injury   | 98.44           | 7,402,901.61            | 3,130,084.56            | 2,047,344.68   |
| insurance,  | 2,498.08        | 2,259,834.96            |                         |                |
| maternity insurance4,                               | 5,094,807.67    |                         |                         | 5,910,629.57   |
| housing provident fund5, trade union funds and      | 1,488,335.51    |                         |                         | 5,761,152.56   |
| employee education funds6, short-term paid absences | 2,738,118.02    |                         |                         | 2,525,627.74   |
| total   | 169,854,249.70  | 576,356,055.71          | 620,357,407.71          | 125,852,897.70 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

29. Salaries payable to employees (continued)

(3) Listing of defined deposit and withdrawal plans

unit: yuan

| project                         | Opening balance | Increase in current period | Decrease in current period | Ending balance |
|---------------------------------|-----------------|----------------------------|----------------------------|----------------|
| 1. Basic endowment insurance 2. | 43,609.94       | 99,150,737.46              | 94,576,886.30              | 4,617,461.10   |
| Unemployment insurance premium  | 1,148.37        | 4,663,114.97               | 4,506,870.61               |                |
| total                           | 44,758.31       | 103,813,852.43             | 99,083,756.91              | 4,774,853.83   |

30. Taxes payable

unit: yuan

| project                               | Ending balance | Opening Balance |
|---------------------------------------|----------------|-----------------|
| Value-added                           | 84,803,146.51  | 125,522,336.03  |
| tax, corporate income                 | 33,920,551.32  | 89,597,918.41   |
| tax, real                             | 24,095,481.04  | 13,083,934.41   |
| estate tax, land use                  | 9,411,113.14   | 9,240,921.98    |
| tax, urban maintenance and            | 4,251,472.39   | 3,748,576.77    |
| construction                          | 4,000,000.00   | 4,500,000.00    |
| tax, resource tax,                    | 3,906,160.20   | 3,959,856.45    |
| environmental                         | 3,890,115.11   | 3,456,472.38    |
| protection tax, stamp duty, education | 3,761,962.18   | 2,931,140.78    |
| surtax and other land                 | 2,024,028.20   | 4,076,160.22    |
| value-added tax, personal income tax  | 1,998,018.59   | 61,378,163.24   |
| total                                 | 176,062,048.68 | 321,495,480.67  |

31. Other payables

unit: yuan

| project                | Ending balance   | Opening Balance  |
|------------------------|------------------|------------------|
| Interest               | 65,975,461.61    | 55,437,777.80    |
| payable Other payables | 1,478,440,073.13 | 1,482,575,808.13 |
| total                  | 1,544,415,534.74 | 1,538,013,585.93 |

Note: Other payables in the above table refer to other payables after deducting interest payable and dividend payable.

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

31. Other payables (continued)

(1) Interest payable

unit: yuan

| project                   | Ending balance | Opening Balance |
|---------------------------|----------------|-----------------|
| Corporate bond interest   | 4,268,152.77   | 21,132,222.24   |
| Medium-term note interest | 61,707,308.84  | 34,305,555.56   |
| total                     | 65,975,461.61  | 55,437,777.80   |

(2) Other payables

1) List other payables by nature of payment

unit: yuan

| project                              | Ending balance   | Opening Balance  |
|--------------------------------------|------------------|------------------|
| Accrued fees                         | 389,694,955.91   | 550,223,956.81   |
| for deposits                         | 351,639,653.97   | 261,990,665.03   |
| for current                          | 386,192,674.26   | 341,923,505.85   |
| accounts Equity incentive repurchase | 226,860,000.00   | 226,860,000.00   |
| obligations Others                   | 124,052,788.99   | 101,577,680.44   |
| total                                | 1,478,440,073.13 | 1,482,575,808.13 |

2) Important other payables aged over 1 year

unit: yuan

| project   | Reasons for outstanding or carried forward balances at the end of the period |
|---|--|
| Zhanjiang Runbao Trading Co., Ltd.                                | 160,000,000.00<br>The time for payment has not yet arrived                   |
| Shanghai Shuilan Property Management Co., Ltd. Nine Dragons Dawei | 136,000,000.00<br>The time for payment has not yet arrived                   |
| Holdings Co., Ltd. Weifang Xingxing United                        | 30,000,000.00<br>The time for payment has not yet arrived                    |
| Chemical Co., Ltd. Wuhan Tianrui Paper Co., Ltd.                  | 16,860,000.00<br>The time for payment has not yet arrived                    |
|   | 7,941,708.00<br>The time for payment has not yet arrived                     |
| total   | 350,801,708.00   |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

32. Non-current liabilities due within one year

unit: yuan

| project   | Ending balance   | Opening Balance  |
|---|------------------|------------------|
| Long-term payables due within one year            | 1,729,422,560.82 | 1,543,620,543.60 |
| Long-term borrowings due within one               | 1,469,717,511.11 | 2,583,730,366.67 |
| year Other non-current liabilities due within one | 1,004,483,257.04 | 1,198,716,666.67 |
| year Bonds payable due within one                 | 350,000,000.00   | 1,270,636,933.46 |
| year Lease liabilities due within one year        | 4,728,345.21     | 4,606,717.58     |
| total   | 4,558,351,674.18 | 6,601,311,227.98 |

33. Long-term loans

(1) Classification of long-term loans

unit: yuan

| project  | Ending balance   | Opening Balance  |
|--|------------------|------------------|
| Mortgage loans                                   | 3,571,078,975.82 | 3,921,048,883.74 |
| Guaranteed                                       | 2,187,641,710.38 | 2,028,979,800.00 |
| loans Credit                                     | 1,074,231,881.94 | 1,910,041,837.91 |
| loans minus: Long-term loans due within one year | 1,469,717,511.11 | 2,583,730,366.67 |
| total  | 5,363,235,057.03 | 5,276,340,154.98 |

other instructions:

ÿ For the mortgage asset category and amount of mortgage loans, please refer to Note VII. 1 Monetary funds and VII. 65 Assets with restricted ownership or use rights.

ÿ Long-term loans include interest payable of RMB 15,766,964.86.

34. Bonds payable

unit: yuan

| project                              | Ending balance | Opening Balance |
|--------------------------------------|----------------|-----------------|
| 18 Chenming Bond 01 - Chenming Group |                | 155,000,000.00  |
| Chenming USD Bond                    |                |                 |
| total                                |                | 155,000,000.00  |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

34. Bonds payable (continued)

(1) Increase or decrease of bonds payable

unit: yuan

| bond name                            | face value       | issue date     | bond term | Issue amount     |
|--------------------------------------|------------------|----------------|-----------|------------------|
| 18 Chenming Bond 01 - Chenming Group | 350,000,000.00   | April 2, 2018  | 5 years   | 350,000,000.00   |
| Chenming USD Bond                    | 1,137,120,600.00 | August 6, 2019 | years     | 1,125,276,863.46 |
| total                                | 1,487,120,600.00 |                |           | 1,475,276,863.46 |

unit: yuan

| bond name                               | Opening Balance  | Interest is accrued on par value for current issue | Amortization of premium and discount | current repayment | Changes in exchange rates and losses | Ending balance |
|---|------------------|--|--------------------------------------|-------------------|--------------------------------------|----------------|
| 18 Chenming Bond 01 - Chenming Group    | 350,000,000.00   | 8,627,597.22                                       |                                      | 8,627,597.22      |                                      | 350,000,000.00 |
| Chenming USD Bond                       | 1,075,636,933.46 | 30,847,102.56                                      | 1,019,717.03                         | 1,109,532,202.56  | 4,067,883.57                         |                |
| Subtotal                                | 1,425,636,933.46 | 39,474,699.78                                      | 1,019,717.03                         | 1,118,159,799.78  | 4,067,883.57                         | 350,000,000.00 |
| Less: Bonds payable due within one year | 1,270,636,933.46 |  |                                      |                   |                                      | 350,000,000.00 |
| total                                   | 155,000,000.00   | 39,474,699.78                                      | 1,019,717.03                         | 1,118,159,799.78  | 4,067,883.57                         |                |

35. Lease liabilities

unit: yuan

| project                                     | Ending balance | Opening Balance |
|---|----------------|-----------------|
| Lease payable                               | 77,669,999.53  | 81,362,458.45   |
| less: Unrecognized financing expenses       | 18,190,037.27  | 19,474,535.06   |
| Subtotal                                    | 59,479,962.26  | 61,887,923.39   |
| Less: Lease liabilities due within one year | 4,728,345.21   | 4,606,717.58    |
| total                                       | 54,751,617.05  | 57,281,205.81   |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

36. Long-term payables

unit: yuan

| project            | Ending balance   | Opening Balance  |
|--------------------|------------------|------------------|
| Long-term payables | 3,383,399,934.07 | 2,358,901,022.99 |
| total              | 3,383,399,934.07 | 2,358,901,022.99 |

(1) List long-term payables according to the nature of the payment

unit: yuan

| project                                      | Ending balance   | Opening Balance  |
|--|------------------|------------------|
| Other partners                               | 4,426,322,494.89 | 3,188,521,566.59 |
| of CDB Special Fund                          | 460,500,000.00   | 488,000,000.00   |
| for Financial Leasing                        | 225,000,000.00   | 225,000,000.00   |
| contribute financial leasing business margin | 1,000,000.00     | 1,000,000.00     |
| Subtotal                                     | 5,172,822,494.89 | 3,902,521,566.59 |
| Less: Long-term payables due within one year | 1,729,422,560.82 | 1,543,620,543.60 |
| total  | 3,383,399,934.07 | 2,358,901,022.99 |

37. Estimated liabilities

unit: yuan

| project         | Ending balance | Reasons for the opening balance       |
|-----------------|----------------|---------------------------------------|
| pending lawsuit | 325,259,082.28 | 325,259,082.28 Arnault's lawsuit loss |
| total           | 325,259,082.28 | 325,259,082.28                        |

Explanation: In February 2017, Arjowiggins HKK2 Limited (hereinafter referred to as "HKK2 Company") submitted a H-share winding-up petition to the Hong Kong High Court due to joint venture disputes, and was claimed by HKK2 for economic losses of RMB 167 million and corresponding interest, RMB 3.54 million Lawyer's fees in US dollars and arbitration fees of HK\$3.3 million and corresponding interest. In 2017, the company has accrued an estimated liability of 320 million yuan for this pending lawsuit. On August 5, 2020, the Court of Appeal of the Hong Kong High Court made a judgment and rejected the company's appeal request. On June 14, 2022, the Hong Kong Court of Final Appeal made a judgment rejecting the company's appeal request, and instructed the court to pay the total amount of HK\$389,112,432.44 to the court as a postponement of the conditions of the winding-up petition submitted by HKK2 against the company in accordance with the order of Judge Harris of the Court of First Instance. , together with the accrued interest therein, shall be payable to HKK2.

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

38. Deferred income

unit: yuan

| project            | Opening Balance  | Increase in this period | Decrease in this period | Ending balance   | Cause                   |
|--------------------|------------------|-------------------------|-------------------------|------------------|-------------------------|
| government subsidy | 1,573,681,684.25 |                         | 52,355,943.37           | 1,521,325,740.88 | financial appropriation |
| total              | 1,573,681,684.25 |                         | 52,355,943.37           | 1,521,325,740.88 |                         |

Projects involving government subsidies:

unit: yuan

| Liabilities   | Opening Balance  | The new subsidy       | Amount included in                 | other changes | Ending balance   | Asset-related/   |
|---|------------------|-----------------------|------------------------------------|---------------|------------------|--|
|   |                  | amount in this period | other income in the current period |               |                  | Revenue-related  |
| National Science and Technology Support Program Project | 1,123,125.00     |                       | 82,350.00                          |               | 1,040,775.00     | Government subsidies related to assets                           |
| Funding Infrastructure and Environmental                | 219,273,225.52   |                       | 6,019,465.67                       |               | 213,253,759.85   | Government subsidies related to assets                           |
| Protection Project Huanggang Forestry-Pulp-Paper        | 496,846,742.41   |                       | 12,513,108.90                      |               | 484,333,633.51   | Government subsidies related to assets 48,759,280.73             |
| Integration Project Zhanjiang Forestry-Pulp-Paper       | 50,806,597.19    |                       | 2,047,316.46                       |               |                  | Government subsidies related to assets 138,382,429.50 Government |
| Integration Project Technical Transformation            | 144,150,333.36   |                       | 5,767,903.86                       |               |                  | subsidies related to assets 601,751,354.74 Government subsidies  |
| Project Financial Subsidy Environmental                 | 627,047,425.68   |                       | 25,296,070.94                      |               |                  | related to assets 33,804,507.55 Government subsidies related to  |
| Protection Fund Subsidy Others                          | 34,434,235.09    |                       | 629,727.54                         |               |                  | assets   |
| total   | 1,573,681,684.25 |                       | 52,355,943.37                      |               | 1,521,325,740.88 |  |

39. Share capital

unit: yuan

|                        | Opening Balance  | This change increases or decreases (+/-) |  |  | other | Subtotal | Ending balance   |
|------------------------|------------------|--|--|--|-------|----------|------------------|
|                        |                  | Issuance of new shares                   | bonus shares and public reserve conversion |  |       |          |                  |
| total number of shares | 2,984,208,200.00 |  |  |  |       |          | 2,984,208,200.00 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

40. Other equity instruments

(1) Basic information on perpetual bonds issued at the end of the period

unit: yuan

|   |      |                   | dividend rate    |             |               |                   | Maturity date             |                       |                   |                 |
|---|------|-------------------|------------------|-------------|---------------|-------------------|---------------------------|-----------------------|-------------------|-----------------|
| Accounting classification of outstanding financial instruments at issuance time |      |                   | or interest rate | issue price | quantity      | Interest of money | or renewal status         | Conversion conditions | conversion status |                 |
| 17 Lu Chenming MTN001   | 2017 | equity instrument | 8.97%            | 100.00      | 10,000,000.00 | 1,000,000,000.00  | No definite maturity date | None                  |                   | not convertible |
| total   |      |                   |                  |             | 10,000,000.00 | 1,000,000,000.00  |                           |                       |                   |                 |

(2) Changes in perpetual bonds issued at the end of the period

unit: yuan

| outstanding financial instruments | Opening       |                | Increase in |            | Reduced quantity |            | Ending        |                |
|-----------------------------------|---------------|----------------|-------------|------------|------------------|------------|---------------|----------------|
|                                   | quantity      | Book value     | this period | Book value | In this period   | Book value | Quantity      | Book value     |
| 17 Lu Chenming MTN001             | 10,000,000.00 | 996,000,000.00 |             |            |                  |            | 10,000,000.00 | 996,000,000.00 |
| total                             | 10,000,000.00 | 996,000,000.00 |             |            |                  |            | 10,000,000.00 | 996,000,000.00 |

The increase and decrease of other equity instruments in the current period, the reasons for the changes, and the basis for relevant accounting treatment:

The company issued 1 billion yuan of notes on July 12, 2017. The issue rate is 6.80%. After deducting the issue handling fee, the actual received amount is RMB 996 million. This note has no definite maturity date, and it will exist for a long time before the company exercises the redemption right; the interest rate of this note is determined by the base interest rate + initial interest rate difference + 300BP, which has the characteristics of interest rate cap and the capped interest rate does not exceed the same type in the same industry in the same period. The average interest rate level of the instrument; the company has the right to defer the payment of interest; the option to redeem this note belongs to the company, and whether it will be redeemed in the future is a matter within the controllable scope of the company; the principal and The order of repayment of interest at the time of bankruptcy liquidation is equal to that of the issuer's other debt financing instruments to be repaid. Due to the low probability of bankruptcy events, there is basically no expectation that the company will undertake the contractual obligations of delivering cash or other financial assets.

Based on the above factors, the terms of this note do not include the contractual obligation to deliver cash and other financial assets to other units, nor does it include the contractual obligation to exchange financial assets or financial liabilities with other units under potentially unfavorable conditions. Therefore, in terms of accounting treatment, it is included as an equity instrument in other equity instruments - perpetual bonds.



Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

41. Capital reserves

unit: yuan

| project                         | Opening Balance  | Increase in this period | Decrease in this period | Ending balance   |
|---------------------------------|------------------|-------------------------|-------------------------|------------------|
| Capital premium (share premium) | 4,471,891,796.08 | 29,676,814.69           |                         | 4,501,568,610.77 |
| Other capital reserves          | 755,366,304.33   |                         | 6,850,012.78            | 748,516,291.55   |
| total                           | 5,227,258,100.41 | 29,676,814.69           | 6,850,012.78            | 5,250,084,902.32 |

Other explanations, including the increase and decrease in the current period, and explanations for the reasons for the changes:

ŸThe company estimates that due to the impact of the second batch of 30% restricted shares, the capital reserve recognized in the previous year will be offset in the current period, and the final share payment will be confirmed to offset the capital reserve of RMB 6,850,012.78; Chenming Pulp & Paper Co., Ltd. unilaterally increased capital, resulting in a decrease in the company's shareholding ratio but not losing control, and an increase of RMB 29,676,814.69 in capital reserves; The company's equity, because the 2021 annual report of Guangdong Nanyue Bank Co., Ltd. was disclosed later than the company, the company reduced the capital reserve by 55,547,014.21 yuan based on the audited 2021 annual report of Guangdong Nanyue Bank Co., Ltd.

42. Treasury stock

unit: yuan

| project          | Opening Balance | Increase in this period | Decrease in this period | Ending balance |
|------------------|-----------------|-------------------------|-------------------------|----------------|
| Equity incentive | 226,860,000.00  |                         |                         | 226,860,000.00 |
| total            | 226,860,000.00  |                         |                         | 226,860,000.00 |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

43. Other comprehensive income

unit: yuan

| Amount incurred in the   |   |  |                                   |                                 |  |                     |                               |
|--|---|--|-----------------------------------|---------------------------------|--|---------------------|-------------------------------|
| project  | Opening Balance                                     | current period release, included   |                                   |                                 |  |                     |                               |
|  |   | Less: included in other comprehensive income   |                                   |                                 |  |                     |                               |
|  |   | in other comprehensive income  |                                   |                                 |  |                     |                               |
|  |   | Amount before income tax is  | income in the previous period and | in the previous                 | period and transferred to retained earnings in the current period release, income tax expenses | Attributable to the | Attributable to               |
| the current period   | transferred to profit or loss in the current period | period and transferred to retained earnings in the current period release, income tax expenses | parent company after tax          | minority shareholders after tax | Ending balance   |                     |                               |
| 1. Other comprehensive income that cannot be reclassified into profit or loss 2. Other       |   |  |                                   |                                 |  |                     |                               |
| comprehensive income that will be reclassified into profit or loss Among them:               | -445,582,729.36                                     | -150,398,727.06  | 4,743,150.54                      |                                 | -150,576,277.41  | 177,550.35          | -596,159,006.77 -5,946,932.37 |
| Other comprehensive income that can be transferred to profit or loss under the equity method | -10,512,532.56                                      | -155,141,877.60  |                                   |                                 | 4,565,600.19   | 177,550.35          | -590,212,074.40               |
| Foreign currency financial statement conversion difference                                   | -435,070,196.80                                     |  |                                   |                                 | -155,141,877.60  |                     |                               |
| Total other comprehensive income   |   |  |                                   |                                 |  |                     |                               |
|  | -445,582,729.36                                     | -150,398,727.06  |                                   |                                 | -150,576,277.41  | 177,550.35          | -596,159,006.77               |

44. General risk preparation

unit: yuan

| project                  | Opening Balance | increase in this period | Decrease in this period | Ending balance |
|--------------------------|-----------------|-------------------------|-------------------------|----------------|
| general risk preparation | 76,825,918.60   |                         |                         | 76,825,918.60  |
| total                    | 76,825,918.60   |                         |                         | 76,825,918.60  |

45. Surplus reserve

unit: yuan

| project                   | Opening Balance  | increase in this period | Decrease in this period | Ending balance   |
|---------------------------|------------------|-------------------------|-------------------------|------------------|
| Statutory surplus reserve | 1,212,009,109.97 |                         |                         | 1,212,009,109.97 |
| total                     | 1,212,009,109.97 |                         |                         | 1,212,009,109.97 |

## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 46. Retained profit

unit: yuan

| project  | This period      | Previous period   |
|--|------------------|-------------------|
| The total amount of undistributed profit at the end of                                     | 9,210,372,613.81 | 9,999,764,028.74  |
| the previous period before adjustment and adjustment of the beginning undistributed profit | 83,754,093.05    | -1,887,031,763.57 |
| (increase +, decrease -) After adjustment, the   | 9,294,126,706.86 | 8,112,732,265.17  |
| opening undistributed profit plus: net profit attributable to owners of the parent         | 230,141,463.76   | 2,065,513,108.71  |
| company in the current period minus: withdrawal  |                  |                   |
| of statutory surplus reserve   |                  |                   |
| Discretionary surplus reserve general  |                  | 2,703,274.40      |
| risk reserve payable common  |                  | 552,078,517.01    |
| stock dividend payable perpetual   |                  | 89,700,000.00     |
| bond dividend payable preferred stock dividend payable                                     |                  | 323,390,968.66    |
| Undistributed profit at the end of the period  | 9,524,268,170.62 | 9,210,372,613.81  |

Adjust the undistributed profit details at the beginning of the period:

The company implemented the new financial instrument standards earlier than the company's associate company - Guangdong Nanyue Bank Co., Ltd., but during the period when the associate company had not implemented the new standards, due to objective conditions, the company did not follow the new standards when using the equity method for accounting. Adjustments are made to the financial statements of associates or joint ventures. From January 1, 2021, the associated enterprises will adjust the opening balance of the statement in accordance with the new standards. The opening balance of the 2021 financial statements should be adjusted accordingly when accounting by the equity method. Since the company's 2021 annual report was disclosed earlier than Guangdong Nanyue Bank Co., Ltd., the company adjusted the undistributed profit at the beginning of the period according to the unaudited number of Guangdong Nanyue Bank Co., Ltd. in the 2021 annual report. After Guangdong Nanyue Bank Co., Ltd. issued a formal audit report Adjusted the beginning of the period based on the difference in net assets at the beginning of the period.

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

47. Operating income and operating costs

unit: yuan

| project        | Income incurred in the |                   | Income from       |                   |
|----------------|------------------------|-------------------|-------------------|-------------------|
|                | current period         | cost              | previous period   | cost              |
| Main business  | 16,170,535,559.24      | 13,622,445,474.80 | 16,368,937,751.59 | 11,107,531,244.57 |
| Other business | 505,892,806.59         | 432,503,804.40    | 753,529,733.35    | 803,878,602.94    |
| total          | 16,676,428,365.83      | 14,054,949,279.20 | 17,172,816,354.53 | 11,861,060,977.92 |

Income related information:

unit: yuan

| Contract classification   | machine paper making | Financial Services Hotel and Property Rentals |                | other          | total             |
|---|----------------------|---|----------------|----------------|-------------------|
| Commodity   | 16,091,824,702.93    | 125,629,976.14                                | 108,076,112.11 | 350,897,574.65 | 16,676,428,365.83 |
| types   |                      |   |                |                |                   |
| Including:  | 14,440,493,130.31    |   |                |                | 14,440,493,130.31 |
|   | 239,810,290.10       |   |                |                | 239,810,290.10    |
| Machine-made  |                      | 84,916,541.08                                 |                |                | 84,916,541.08     |
| pulp Financial  | 195,203,273.89       |   |                |                | 195,203,273.89    |
| leasing   |                      |   |                | 128,912,692.24 | 128,912,692.24    |
| Electricity and thermal   | 70,973,693.13        |   |                |                | 70,973,693.13     |
| building materials  |                      |   | 104,267,757.09 |                | 104,267,757.09    |
|   | 1,145,344,315.50     | 40,713,435.06                                 | 3,808,355.02   | 221,984,882.41 | 1,411,850,987.99  |
| Papermaking chemical  | 16,091,824,702.93    | 125,629,976.14                                | 108,076,112.11 | 350,897,574.65 | 16,676,428,365.83 |
| supplies  |                      |   |                |                |                   |
| Hotel and   | 12,207,917,878.75    | 125,629,976.14                                | 108,076,112.11 | 350,897,574.65 | 12,792,521,541.65 |
| property rental Others  | 3,883,906,824.18     |   |                |                | 3,883,906,824.18  |
| Classified by operating area Among  | 16,091,824,702.93    | 125,629,976.14                                | 108,076,112.11 | 350,897,574.65 | 16,676,428,365.83 |
| them:   |                      |   |                |                |                   |
| Other countries and regions in mainland China Classified by time of commodity |                      |   | 5,870,305.78   | 350,897,574.65 | 16,241,965,908.42 |
| transfer Among them: Commodities (transferred at a certain time)              | 15,885,198,027.99    | 125,481,352.28                                | 24,330,678.09  |                | 345,015,304.26    |
| Services (Provided within a certain period of time)                           | 195,203,273.89       | Rental income 11,423,401.05                   | 148,623.86     | 77,875,128.24  | 89,447,153.15     |

## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 48. Taxes and surcharges

unit: yuan

| project  | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Property tax,  | 41,715,466.80                         | 37,450,589.35                          |
| stamp duty,  | 24,637,949.80                         | 18,130,742.66                          |
| urban maintenance and                                      | 17,218,814.49                         | 27,858,367.33                          |
| construction tax, education surcharge and local education  | 11,612,306.79                         | 19,989,461.94                          |
| surcharge, environmental                                   | 6,793,722.79                          | 10,751,303.03                          |
| protection tax,  | 5,678,351.10                          | 15,486,250.50                          |
| water resource tax, land                                   | 4,547,575.80                          | 24,349,448.93                          |
| use tax, vehicle and                                       | 1,998,845.57                          | 85,669.29                              |
| vessel use tax, cultural                                   | 1,528,301.88                          |  |
| construction   | 350,123.53                            | 516,687.03                             |
| business tax, water conservancy fund, land value-added tax | 27,432.00                             | 9,175,506.88                           |
| <b>total</b>   | <b>116,108,890.55</b>                 | <b>163,794,026.94</b>                  |

## 49. Sales expenses

unit: yuan

| project                                 | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Salary and Additional                   | 72,692,606.41                         | 70,949,714.14                          |
| Business Hospitality                    | 22,786,567.81                         | 25,673,227.63                          |
| Expenses Travel                         | 8,535,839.64                          | 9,694,437.71                           |
| Expenses Sales                          | 6,883,405.06                          | 7,029,390.00                           |
| Commissions                             | 5,541,590.42                          | 5,712,298.99                           |
| Depreciation                            | 2,478,458.25                          | 5,295,433.81                           |
| Expenses                                | 1,108,123.52                          | 1,299,490.73                           |
| Leasing Expenses                        | 503,789.82                            | 252,549.57                             |
| Office Expenses Storage Expenses Others | 17,525,382.72                         | 21,716,196.16                          |
| <b>total</b>                            | <b>138,055,763.65</b>                 | <b>147,622,738.74</b>                  |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

50. Management costs

unit: yuan

| project                                   | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Wages and Additional                      | 113,861,878.26                        | 169,081,336.44                         |
| Downtime Loss                             | 69,598,970.31                         | 48,338,437.27                          |
| Depreciation                              | 47,710,740.44                         | 51,326,963.11                          |
| Expenses                                  | 38,886,989.85                         | 27,155,232.97                          |
| Hospitality                               | 35,507,840.57                         | 34,628,571.86                          |
| Expenses Welfare Expenses                 | 25,828,580.24                         | 25,323,097.56                          |
| Amortization of                           | 9,615,210.77                          | 13,610,506.54                          |
| Intangible Assets                         | 9,449,472.17                          | 14,955,132.42                          |
| Repair Expenses Insurance Expenses Others | 72,306,683.24                         | 107,629,277.32                         |
| total                                     | 422,766,365.85                        | 492,048,555.49                         |

51. Research and development expenses

unit: yuan

| project   | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Consumption of raw  | 264,700,948.65                        | 366,439,019.85                         |
| materials,  | 105,357,973.18                        | 86,755,891.97                          |
| water, gas, electricity,  | 98,638,775.67                         | 66,656,701.37                          |
| semi-finished products, auxiliary                               | 89,924,013.81                         | 100,156,151.93                         |
| materials, wages and  | 76,633,329.10                         | 83,767,837.01                          |
| additional  | 23,781,607.53                         | 27,969,754.45                          |
| depreciation,   | 15,220,882.81                         | 15,104,675.76                          |
| insurance   | 4,712,671.38                          | 5,060,144.67                           |
| premiums, welfare   | 2,698,047.92                          | 2,786,507.56                           |
| expenses, housing   | 625,136.54                            | 815,212.59                             |
| provident   | 513,779.36                            | 372,517.00                             |
| funds, labor union funds, installation fees, and other expenses | 707,394.98                            | 1,136,940.41                           |
| total   | 683,514,560.93                        | 757,021,354.57                         |

## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 52. Financial costs

unit: yuan

| project                          | Amount incurred in the current period | Amount incurred in the previous period |
|----------------------------------|---------------------------------------|--|
| Interest expense                 | 991,475,816.56                        | 1,399,107,777.11                       |
| less: interest capitalization    |                                       |  |
| interest income                  | 150,582,370.85                        | 221,507,514.16                         |
| exchange gain                    | -21,746,160.65                        | -35,419,357.17                         |
| and loss handling fee and others | 201,887,319.60                        | 176,761,250.38                         |
| total                            | 1,021,034,604.66                      | 1,318,942,156.16                       |

## 53. Other income

unit: yuan

| other sources of income   | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Government grants - Amortization of deferred income into profit or      | 52,355,943.37                         | 52,913,447.76                          |
| loss Government grants - Government grants directly into profit or loss | 96,908,668.31                         | 70,185,300.82                          |
| total   | 149,264,611.68                        | 123,098,748.58                         |

## 54. Investment income

unit: yuan

| project   | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Long-term equity investment income accounted for by the   | 26,616,556.58                         | 82,955,115.52                          |
| equity method Investment income from trading financial assets and other non-current financial assets during the | 6,301,220.33                          | 15,000,000.00                          |
| holding period Investment income from disposal of long-term   | 6,812.52                              | 676,586.27                             |
| equity investment Debt  | -754,806.87                           |  |
| restructuring income Investment income from derecognition of financial assets                                   | -56,307,959.46                        |  |
| total   | -24,138,176.90                        | 98,631,701.79                          |

## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 55. Income from changes in fair value

unit: yuan

| Sources of income from changes in fair value  | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Financial assets held for trading Including: gains from changes in fair value from derivative financial instruments Gains from changes in fair value from consumable biological assets measured at fair value | -62,122,863.58                        | -89,980,570.69                         |
|   | 3,309,448.09                          | -9,139,121.20                          |
| total   | -58,813,415.49                        | -99,119,691.89                         |

## 56. Credit impairment losses

unit: yuan

| project                              | Amount incurred in the current period | Amount incurred in the previous period |
|--------------------------------------|---------------------------------------|--|
| Bad debt loss of accounts receivable | -25,363,341.17                        | -279,757,983.46                        |
| total                                | -25,363,341.17                        | -279,757,983.46                        |

## 57. Asset impairment losses

unit: yuan

| project   | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Loss on inventory decline and contract performance cost impairment loss | 1,936,644.09                          |  |
| total   | 1,936,644.09                          |  |

## 58. Income from asset disposal

unit: yuan

| Sources of proceeds from asset disposal   | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Gains from disposal of non-current assets | 1,605,314.49                          | 6,731,452.88                           |
| Gains from disposal of intangible assets  |                                       | 42,188,905.24                          |
| total                                     | 1,605,314.49                          | 48,920,358.12                          |



Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

59. Non-operating income

unit: yuan

| project                                 | The amount included in the current    |  |                               |
|---|---------------------------------------|--|-------------------------------|
|   | Amount incurred in the current period | Amount incurred in the previous period | non-recurring profit and loss |
| Penalty income                          | 215,595.32                            |  | 215,595.32                    |
| Non-current assets damage and scrapping | 23,874.29                             | 1,255,005.76                           | 23,874.29                     |
| gains Debts not to be paid              | 11,345.80                             | 4,275,104.92                           | 11,345.80                     |
| Government                              |                                       | 2,045,973.21                           |                               |
| grants Others                           | 842,613.92                            | 11,145,199.75                          | 842,613.92                    |
| total                                   | 1,093,429.33                          | 18,721,283.64                          | 1,093,429.33                  |

60. Non-operating expenses

unit: yuan

| project  | The amount included in the current    |  |                               |
|--|---------------------------------------|--|-------------------------------|
|  | Amount incurred in the current period | Amount incurred in the previous period | non-recurring profit and loss |
| Non-current assets damaged and scrapped losses | 5,557,464.33                          | 2,177,197.00                           | 5,557,464.33                  |
| Liquidated                                     | 4,626,610.27                          |  | 4,626,610.27                  |
| damages Public welfare                         | 5,000.00                              | 80,000.00                              | 5,000.00                      |
| donations Others                               | 13,665.00                             | 75,333.96                              | 13,665.00                     |
| total  | 10,202,739.60                         | 2,332,530.96                           | 10,202,739.60                 |

61. Income tax expenses

(1) Income tax expense table

unit: yuan

| project                     | Amount incurred in the current period |  |
|-----------------------------|---------------------------------------|--|
|                             | Amount incurred in the current period | Amount incurred in the previous period |
| Current income tax expense  | 51,225,155.03                         | 283,824,021.53                         |
| Deferred income tax expense | -49,846,428.34                        | -9,766,242.33                          |
| total                       | 1,378,726.69                          | 274,057,779.20                         |

## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 61. Income tax expenses (continued)

## (2) Adjustment process of accounting profit and income tax expense

unit: yuan

| project   | Amount incurred in the current period |
|---|---------------------------------------|
| Total profit  | 275,381,227.42                        |
| Income tax expenses calculated at statutory/applicable tax rates  | 41,307,184.11                         |
| Effects of different tax rates applied to subsidiaries  | 57,264,569.19                         |
| Effects of adjustments to income taxes in previous periods  | -15,518,260.26                        |
| Effects of equity-based joint ventures and associates' profits and losses   | -3,992,483.50                         |
| Effects of non-taxable income   | -25,462,500.00                        |
| Non-deductible costs, expenses and losses   | 4,592,825.70                          |
| Effects on the use of deductible losses of unrecognized deferred income tax assets in the previous period                         | -12,954,253.46                        |
| Effects of deductible temporary differences or deductible losses on unrecognized deferred income tax assets in the current period | 24,390,555.43                         |
| Taxation effects of research and development expenses super deduction   | -68,248,910.52                        |
| Income tax expense  | 1,378,726.69                          |

## 62. Cash flow statement items

## (1) Other cash received related to operating activities

unit: yuan

| project                                      | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Interest income                              | 147,503,480.13                        | 208,877,644.50                         |
| Financial leasing business Net collection of | 125,816,344.91                        | 616,398,096.59                         |
| government support funds and other income    | 94,023,387.98                         | 111,501,713.53                         |
|  | 466,613,154.78                        | 99,723,258.86                          |
| total  | 833,956,367.80                        | 1,036,500,713.48                       |

## (2) Other cash paid related to operating activities

unit: yuan

| project           | Amount incurred in the current period | Amount incurred in the previous period |
|-------------------|---------------------------------------|--|
| Fees and payments | 998,576,421.97                        | 999,490,395.09                         |
| total             | 998,576,421.97                        | 999,490,395.09                         |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

62. Cash flow statement items (continued)

(3) Other cash received related to investment activities

unit: yuan

| project                                    | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Receipt of assignment of creditor's rights |                                       | 251,414,794.52                         |
| total                                      |                                       | 251,414,794.52                         |

(4) Other cash received related to financing activities

unit: yuan

| project   | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Equipment   | 2,068,410,644.82                      | 574,665,920.24                         |
| financing, financing leasing, deposit recovery,                                   | 10,500,000.00                         |  |
| restricted bank deposits, reduction in the current period,                        |                                       | 1,526,876,431.27                       |
| resale of medium-term notes,  |                                       | 400,000,000.00                         |
| government platform capital injection, new and old kinetic energy and Chendu Fund |                                       | 232,790,000.00                         |
| total   | 2,078,910,644.82                      | 2,734,332,351.51                       |

(5) Other cash paid related to financing activities

unit: yuan

| project   | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Purchase or repayment of                        | 200,000,000.00                        | 2,145,000,000.00                       |
| short-term financing and                        | 961,427,794.77                        | 996,692,287.81                         |
| mid-term notes                                  |                                       | 2,250,000,000.00                       |
| Repayment of                                    |                                       | 98,100,000.00                          |
| equipment sale and                              | 27,500,000.00                         | 29,500,000.00                          |
| leaseback                                       | 1,078,685,100.00                      |  |
| Repayment of preferred                          | 992,161,166.63                        |  |
| shares Payment of dividends on preferred shares | 51,000,000.00                         |  |
| total   | 3,310,774,061.40                      | 5,519,292,287.81                       |

## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 63. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

unit: yuan

| additional materials   | Current Amount    | First half amount |
|--|-------------------|-------------------|
| 1. Adjust net profit to cash flow from operating activities: Net profit plus:      |                   |                   |
| asset  | 274,002,500.73    | 2,066,430,651.33  |
| impairment provision depreciation  | 23,426,697.08     | 279,757,983.46    |
| of fixed assets, depreciation of oil and gas assets, productive biological         |                   |                   |
| assets, investment real estate depreciation  | 1,138,180,403.64  | 1,164,573,912.37  |
| of right-of-use assets,  | 3,916,179.79      | 3,959,539.44      |
| depreciation of intangible   | 28,127,606.73     | 27,645,672.10     |
| assets, amortization of long-  | 2,055,896.23      | 1,793,632.06      |
| term deferred expenses Write-off of losses on disposal of fixed assets, intangible |                   |                   |
| assets and other long-term assets (gains are listed with "-")                      | -1,605,314.49     | -47,998,166.88    |
| Losses from scrapping fixed assets (received with "-" for                          | 5,533,590.04      |                   |
| income) Losses from changes in fair value (received with "-"                       | 58,813,415.49     | 99,119,691.89     |
| for income) Financial expenses (received with                                      | 991,475,816.56    | 1,399,107,777.11  |
| "-" for income) Investment losses (received with                                   | 24,138,176.90     | -98,631,701.79    |
| "-" for income) column) Decrease in deferred income tax assets                     | -49,397,297.55    | 9,766,242.33      |
| (fill in with "-" for increase) Increase in deferred income tax                    | -449,130.79       | -449,130.80       |
| liabilities (fill in with "-" for decrease) Decrease in                            | -105,936,523.16   | -1,766,629,170.47 |
| inventory (fill in with "-" for increase) Operating receivables Decreases          | -1,497,590,484.79 | 1,272,002,689.91  |
| (increased with "-") Increases in operating payables (decreases                    | 103,572,677.04    | 336,735,899.88    |
| marked   |                   |                   |
| with "-") Net cash flow from other operating                                       | 998,264,209.45    | 4,747,185,521.94  |
| activities 2. Major investment and financing activities not involving cash         |                   |                   |
| receipts and payments : 3. Net changes in cash and cash                            |                   |                   |
| equivalents: Ending  | 3,142,606,091.96  | 4,625,780,176.57  |
| balance of cash minus:   | 3,168,915,847.02  | 4,389,169,963.79  |
| Beginning balance of cash plus: Closing  |                   |                   |
| balance of cash equivalents minus:   |                   |                   |
| Beginning balance of cash equivalents Net increase in cash and cash equivalents    | -26,309,755.06    | 236,610,212.78    |

Section 10 Financial Report

VII. Notes to items in the consolidated financial statements (continued)

63. Supplementary information on cash flow statement (continued)

(2) Composition of cash and cash equivalents

unit: yuan

| project  | Ending balance   | Opening Balance  |
|--|------------------|------------------|
| 1. Cash of   | 3,142,606,091.96 | 4,625,780,176.57 |
| which: cash on hand and  | 3,313,516.53     | 4,622,876,555.61 |
| bank deposits that can be used for payment                       | 3,139,292,575.43 |                  |
| at any time 2. Cash equivalents                                  |                  |                  |
| Including: bond investment due within three months               |                  |                  |
| 3. Balance of cash and cash equivalents at the end of the period | 3,142,606,091.96 | 4,625,780,176.57 |

64. Notes to items in the statement of changes in owner's equity

The company implemented the new financial instrument standards earlier than the company's associate company - Guangdong Nanyue Bank Co., Ltd., but during the period when the associate company had not implemented the new standards, due to objective conditions, the company did not follow the new standards when using the equity method for accounting Adjustments are made to the financial statements of associates or joint ventures. From January 1, 2021, the joint venture will adjust the opening balance of the statement in accordance with the new standards. According to the fifth batch of accounting standards for enterprises issued by the Accounting Department of the Ministry of Finance in 2021, the question and answer (1) The long-term equity investment standard implementation question and answer. The opening balance of the 2021 financial statements should be adjusted accordingly when accounting by the equity method. Since the company's 2021 annual report was disclosed earlier than Guangdong Nanyue Bank Co., Ltd., the company adjusted the initial undistributed profit in the 2021 annual report according to the unaudited number of Guangdong Nanyue Bank Co., Ltd. After Guangdong Nanyue Bank Co., Ltd. issued a formal audit report Adjusted the beginning of the period based on the difference in net assets at the beginning of the period.

65. Assets whose ownership or right to use is restricted

unit: yuan

| project   | Reasons for the limitation of the book value at the end of the period  |
|---|--|
| Money funds                                     | 11,749,299,176.80 As bank acceptance bills, guarantee deposits for letters of credit and deposit reserves, etc.<br>(Note VII. 1) |
| Accounts Receivable                             | 10,925,711.40 As a pledge for the issuance of letters of guarantee and letters of credit (Note VII. 5)                           |
| Financing                                       | 250,000,000.00 as pledge for obtaining loans (Note VII. 4)   |
| Accounts  | 12,634,559,687.51 As collateral for bank loans and long-term payables (Note VII. 15) 1,184,321,483.40 As collateral for          |
| Receivable Fixed                                | bank loans and long-term payables (Note VII. 19) 4,964,639,998.32 As collateral for bank loans (Note VII. 14)                    |
| Assets Intangible Assets Investment Real Estate |  |
| total   | 30,793,746,057.43  |

## Section 10 Financial Report

## VII. Notes to items in the consolidated financial statements (continued)

## 66. Monetary items in foreign currency

## (1) Foreign currency monetary items

unit: yuan

| project  | Ending foreign currency balance | Converted exchange rate | RMB balance at the end of the period |
|--|---------------------------------|-------------------------|--------------------------------------|
| <b>Monetary</b>  |                                 |                         |                                      |
| <b>funds of which:</b>   | 60,330,919.53                   | 6.7114                  | 404,904,933.33                       |
| USD  | 7,227,874.60                    | 7.0084                  | 50,655,836.35                        |
| EUR  | 191,298.30                      | 0.8552                  | 163,598.31                           |
| HKD  | 8,886.64                        | 8.1365                  | 72,306.15                            |
| GBP  | 1,197.00                        | 0.0491                  | 58.77                                |
| <b>JPY Accounts</b>  |                                 |                         |                                      |
| <b>receivable of</b>   | 47,107,957.83                   | 6.7114                  | 316,160,348.18                       |
| which:   | 11,881,530.35                   | 7.0084                  | 83,270,517.30                        |
| USD  | 146,734,998.00                  | 0.0491                  | 7,204,688.40                         |
| <b>EUR JPY other</b>   |                                 |                         |                                      |
| <b>receivables of</b>  | 2,144,521.60                    | 6.7114                  | 14,392,742.27                        |
| which:   | 45,880.07                       | 7.0084                  | 321,545.88                           |
| <b>USD EUR</b>   |                                 |                         |                                      |
| <b>EUR accounts</b>  | 54,043,508.06                   | 6.7114                  | 362,707,599.99                       |
|  | 398,021.67                      | 7.0084                  | 2,789,495.07                         |
|  | 187,909.00                      | 0.0491                  | 9,226.33                             |
| <b>payable of which:</b>   |                                 |                         |                                      |
| USD EUR JPY  | 489,888.04                      | 6.7114                  | 3,287,834.59                         |
| <b>other</b>   | 1,695,629.89                    | 7.0084                  | 11,883,652.52                        |
|  | 8,800.00                        | 0.0491                  | 432.08                               |
| <b>payables of</b>   |                                 |                         |                                      |
| which: USD EUR   | 142,725,968.19                  | 6.7114                  | 957,891,062.91                       |
| <b>JPY short-term borrowings of which:</b>                           |                                 |                         |                                      |
| USD non-current liabilities due within one year of <b>which: USD</b> | 119,000,000.00                  | 6.7114                  | 798,656,600.00                       |

## (2) Explanation of overseas operating entities, including for important overseas operating entities, the main overseas operating place, functional currency for bookkeeping and selection basis shall be disclosed,

The reasons for changes in the bookkeeping functional currency shall also be disclosed.

ÿ Applicable ÿ Not applicable

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## VII. Notes to items in the consolidated financial statements (continued)

## 67. Government subsidies

## (1) Basic information on government subsidies

unit: yuan

| kinds   | Amount presentation items         | Amount included in current profit and loss |
|---|-----------------------------------|--|
| National Science and Technology Support Program Project | 1,040,775.00 Deferred income      | 82,350.00                                  |
| Funding Infrastructure and Environmental                | 213,253,759.85 Deferred income    | 6,019,465.67                               |
| Protection Project Huanggang Forestry-Pulp-Paper        | 484,333,633.51 Deferred income    | 12,513,108.90                              |
| Integration Project Zhanjiang Forestry-Pulp-Paper       | 48,759,280.73 Deferred income     | 2,047,316.46                               |
| Integration Project Technical Renovation                | 138,382,429.50 Deferred income    | 5,767,903.86                               |
| Project Financial Subsidy Environmental                 | 601,751,354.74 Deferred income    | 25,296,070.94                              |
| Protection  | 33,804,507.55 Deferred income     | 629,727.54                                 |
| Fund Subsidy Other Enterprises Reform                   | Income 35,694,431.07 Other        | 35,694,431.07                              |
| and Development Subsidy Technical                       | income 39,864,749.67 Other        | 39,864,749.67                              |
| Renovation Project Financial Subsidy                    | income 2,882,861.67 Other         | 2,882,861.67                               |
| VAT Immediate   | income 1,139,637.40 Other         | 1,139,637.40                               |
| Refund Post   | income 320.34 Other               | 320.34                                     |
| stabilization subsidies                                 | income 3,786,175.32 Other         | 3,786,175.32                               |
| Social security   | income 1,070,000.00 Other         | 1,070,000.00                               |
| subsidies Tax refunds                                   | income 1,500.00 Other             | 1,500.00                                   |
| Government rewards                                      | income 1,651,396.64 Other         | 1,651,396.64                               |
| Epidemic subsidies Afforestation subsidies Others       | income 10,817,596.20 Other income | 10,817,596.20                              |
| <b>total</b>  | <b>1,618,234,409.19</b>           | <b>149,264,611.68</b>                      |

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8. Changes in the scope of consolidation

In this period, the scope of consolidation was increased and 1 new subsidiary was established, Jiangxi Chenming Tea Industry Co., Ltd.; 1 subsidiary was canceled, which was Qingdao Chenming Pulp and Paper Electronic  
Commodity Spot Trading Center Co., Ltd.

9. Interests in other entities

1. Interests in subsidiaries

(1) Composition of the enterprise group

|   | Place                         |                    |   | shareholding |   | Debt   |                   | Issued share |
|---|-------------------------------|--------------------|---|--------------|---|--|-------------------|--------------|
| Subsidiary name   | of main business registration | Place of business  | Nature of legal person                              | ratio direct | indirect  | Obtaining method   | Securities issued | capital      |
| Zhanjiang Chenming Pulp & Paper Co., Ltd.                   | Zhanjiang                     | Zhanjiang          | Profit-making method of papermaking Profit-making   | 91.77%       |   |  | 0                 |              |
| Shouguang Meilan Paper Co., Ltd. Jilin Chenming             | Shouguang                     | Shouguang          | method of man-made paper Profit-making method       | 62.4864%     |   |  | 0                 | 0            |
| Paper Co., Ltd. Huanggang Chenming Pulp & Paper             | Jilin                         | Jilin              | of man-made paper Profit-making corporation of      |              | Establishment Establishment                     | 100.00%  | 0                 | 0            |
| Co., Ltd. Shandong Chenming Paper Sales                     | Huanggang                     | Huanggang          | man-made paper Profit-making corporation Paper      | 70.15%       | Purchase 29.85%                                 | Establishment  | 0                 | 0            |
| Co., Ltd. Shouguang Chenming Import & Export                | Shouguang                     | Shouguang          | product sales corporation Trading corporation Legal | 100.00%      |   |  | 0                 | 0            |
| Trading Co., Ltd. Jiangxi Chenming Supply Chain             | Shouguang                     | Shouguang          | Person Paper Products Trading Profit Legal Person   | 100.00%      |   |  | 0                 | 0            |
| Management Co., Ltd. Chenming GmbH Shouguang                | Jiangxi                       | Jiangxi            | Customs Declaration Profit Legal Person Real        |              | Establishment Establishment                     | 70.00%   | 0                 | 0            |
| Chenming Paper  | Germany                       | Germany            | Estate Investment Management Profit Legal Person    | 100.00%      |   |  | 0                 | 0            |
| Machinery Co., Ltd. Shouguang Hongxiang Printing            | Shouguang                     | Shouguang          |   | 100.00%      |   |  | 0                 | 0            |
| and Packaging Co., Ltd. Shouguang Chenming Modern Logistics | Shouguang                     | Shouguang          |   | 100.00%      |   |  | 0                 | 0            |
| Co., Ltd. Jiran Chenming Paper Sales Co., Ltd.              | Shouguang                     | Shouguang          |   | 100.00%      |   |  | 0                 | 0            |
|   | Jiran                         | Jiran              |   | 100.00%      |   | Establishment Establishment Establishment Purchase Establishment Establishment |                   |              |
| Huanggang Chenming Forestry Development Co., Ltd. Chenming  | Huanggang                     | Huanggang          |   | 100.00%      |   |  | 0                 | 0            |
| Forestry Co., Ltd. Chenming Paper                           | Wuhan                         | Wuhan              |   | 100.00%      |   |  | 0                 | 0            |
| Korea Co., Ltd. Shouguang Shunda Customs                    | South                         | South              |   | 100.00%      |   |  | 0                 | 0            |
| Brokers Co., Ltd. Shanghai Chenming Industrial Co.,         | Korea                         | Korea              |   | 100.00%      |   |  | 0                 | 0            |
| Ltd.  | Shouguang Shanghai            | Shouguang Shanghai |   |              | Established Established Established Established | 100.00%  | Established 0     | 0            |



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9. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(1) Composition of enterprise groups (continued)

| Subsidiary name   | Place  | shareholding                                    |  | Debt         |          | Issued share     |                   |               |        |   |   |
|---|--|---|--|--------------|----------|------------------|-------------------|---------------|--------|---|---|
|   | of main business registration  | Place of business                               | Nature of legal person   | ratio direct | Indirect | Obtaining method | Securities issued | capital       |        |   |   |
| Shanghai Chenyin Trading Co., Ltd. Shandong                     | Shanghai   | Shanghai  | trading corporation Jinan Jinan financial corporation Nanchang Nanchang paper  |              | 51.00%   | Establishment    | 20.00%            | 0             | 0      |   |   |
| Chenming Group Finance Co., Ltd. Jiangxi Chenming               | corporation  | Nanchang  | Nanchang trade corporation Nanchang Nanchang trade corporation Hailaer Hailaer | 80.00%       |          | Establishment    | 100.00%           | 0             | 0      |   |   |
| Paper Co., Ltd. Nanchang Shengheng Trading Co., Ltd.            | paper corporation  | Legal Person Qingdao                            | Qingdao Financial Leasing Profit-making Legal Person Hong Kong                 |              |          | Establishment    | 100.00%           | Establishment | 0      | 0 |   |
| Nanchang Kunheng Trading Co., Ltd.                              | Hong Kong  | Paper Products Trading Profit-Profit            | Legal Person Life Shouguang Shouguang Coal Profit-Profit                       |              | 100.00%  | Establishment    | Establishment     | 0             | 0      |   |   |
| Shouguang Chenming Art Paper Co., Ltd.                          | Legal Person Life Shouguang  | Shouguang Waste Purchase and Sale Profit-making | Legal Person Life  |              |          | Establishment    | 34.64%            | Establishment | 0      | 0 |   |
| Hailaer Chenming Paper Co., Ltd. Shandong Royal                 | Shouguang  | Shouguang Logistics Pro-profit                  | Legal Person Wuhan Wuhan Thermal Power Profit-Profit                           | Legal        | 75.00%   |                  | 100.00%           | 0             | 0      |   |   |
| Jingda Hotel Co., Ltd. Wuhan Chenming Hanyang Paper             | Person Jinan Jinan Investment Pro-profit                             | Legal Person Japan                              | Nippon Paper Products Trading for-profit                                       | 75.00%       |          |                  |                   | 0             | 0      |   |   |
| Co., Ltd. Shandong Chenming Financial Leasing                   | corporation United States American paper products trading for-profit | corporation Zhanjiang                           | Zhanjiang Forestry   | 70.00%       |          |                  |                   | 0             | 0      |   |   |
| Co., Ltd. Qingdao Chenming Ninghai Financial Leasing Co., Ltd.  | for-profit corporation   | Yangjiang                                       | Yangjiang Forestry   | 65.21%       |          | Establishment    | 100.00%           | 0             | 0      |   |   |
| Chenming (Hong Kong) Co., Ltd. Shouguang Hongyi                 |  |   |  |              |          | Establishment    | 100.00%           | Establishment | 0      | 0 |   |
| Packaging Decoration Co., Ltd. Shouguang Xinyuan Coal Co.,      |  |   |  |              |          | 100.00%          | Merger            | 100.00%       | Merger | 0 | 0 |
| Ltd. Company Shouguang Runsheng                                 |  |   |  |              |          | 100.00%          | Merger            | 100.00%       | Merger | 0 | 0 |
| Waste Paper Recycling Co., Ltd. Shouguang Weiyuan               |  |   |  |              |          | 51.00%           | Established       | 100.00%       |        | 0 | 0 |
| Logistics Co., Ltd. Wuhan Chenming Qianneng                     |  |   |  |              |          | Established      | 100.00%           | Established   | 0      | 0 |   |
| Thermal Power Co., Ltd. Shandong Chenming Investment Co., Ltd.  |  |   |  |              |          | 100.00%          | Established       | 100.00%       | 0      | 0 |   |
| Chenming Paper Japan Co., Ltd. Chenming                         |  |   |  |              |          | Established      | 100.00%           | Established   | 0      | 0 |   |
| International Co., Ltd. Zhanjiang Chenming Forestry Development |  |   |  |              |          |                  |                   | 0             | 0      | 0 |   |
| Co., Ltd. Company Yangjiang Chenming                            |  |   |  |              |          |                  |                   | 0             | 0      | 0 |   |
| Forestry Development Co., Ltd.                                  |  |   |  |              |          |                  |                   | 0             | 0      | 0 |   |
|   |  |   |  |              |          |                  |                   | 0             | 0      | 0 |   |
|   |  |   |  |              |          |                  |                   | 0             | 0      | 0 |   |
|   |  |   |  |              |          |                  |                   | 0             | 0      | 0 |   |

### 1. Interests in subsidiaries (continued)

|  | Place of  |  | shareholding  |             | Obtaining   |                   | Debt |         | Issued share |   |
|--|---|--|---|-------------|-------------|-------------------|------|---------|--------------|---|
| Subsidiary name  | main business registration Place of business  | Nature of legal person                                 | ratio direct  | Indirect    | method      | Securities issued |      | capital |              |   |
| Nanchang Chenming Forestry Development Co., Ltd.                       |   | Forestry-for-profit/legal-person investment-for-profit |   | 100.00%     | Established | 100.00%           |      | 0       |              | 0 |
| Guangdong Huihui Investment Co., Ltd./Jilin                            | Nanchang  | Nanchang   | legal-person wait-for-profit/legal-person logistics-for-  | Established | 100.00%     | Established       |      | 0       |              | 0 |
| Chenming New Wall Material Co., Ltd./Jilin Chenming Logistics          | Zhanjiang   | Zhanjiang  | profit/legal-person logistics-for-profit/legal-person     | 100.00%     | Established | 100.00%           |      | 0       |              | 0 |
| Co., Ltd./Jiangxi Chenming Logistics Co., Ltd.                         | Jilin/Jilin   | Jilin/Jilin  | artificial-paper-for-profit/legal-person artificial-paper | Established | 100.00%     | Established       |      | 0       |              | 0 |
| Fuyou Chenming Paper Co., Ltd./Zhanjiang                               |   |  | for-profit/legal-person financing-lease/profit-making     | 100.00%     | Established | 100.00%           |      | 0       |              | 0 |
| Mellun Pulp and Paper Co., Ltd./Shanghai Chenming                      | Nanchang  | Nanchang   | legal-person port-affairs/profit-making/legal-person      | Established | 100.00%     | Acquired          |      | 0       |              | 0 |
| Ming Financial Leasing Co., Ltd./Wuhan                                 | Fuyou   | Fuyou  | financial-leasing   | 100.00%     | Established | 100.00%           |      | 0       |              | 0 |
| Jinhe Property Management Co., Ltd./Guangzhou                          | Zhanjiang   | Zhanjiang  |   | Acquired    | 100.00%     | Acquired Purchase |      | 0       |              | 0 |
| Chenming Financial Leasing Co., Ltd./Shanghai Hongtai                  | Shanghai  | Shanghai   |   | 100.00%     | Established | \$1.00%           |      | 0       |              | 0 |
| Real Estate Co., Ltd./Shanghai Hongtai Property                        | Wuhan   | Wuhan  |   | Established | 100.00%     | Established       |      | 0       |              | 0 |
| Management Co., Ltd./Shandong Chenming                                 |   |  |   | 100.00%     | Established | 100.00%           |      | 0       |              | 0 |
| Commercial Factoring Co., Ltd./Guangzhou Chenming                      |   |  |   | Established | Established | 100.00%           |      | 0       |              | 0 |
| Commercial Factoring Co., Ltd./Jiangxi Chen Ming Tea                   |   |  |   | Established | 100.00%     | Established       |      | 0       |              | 0 |
| Industry Co., Ltd./Zhanjiang Chenming Port Co., Ltd.                   |   |  |   | 100.00%     | Established | Established       |      | 0       |              | 0 |
| Beijing Chenming Financial Leasing Co., Ltd.                           |   |  |   |             |             |                   |      | 0       |              | 0 |
| Chenming Paper USA Co., Ltd./Guangdong                                 |   |  |   |             |             |                   |      | 0       |              | 0 |
| Chenming Board Co., Ltd./Shanghai Chenming Pulp and                    |   |  |   |             |             |                   |      | 0       |              | 0 |
| Paper Sales Co., Ltd./Mellun BVI Co., Ltd.                             |   |  | 100.00%   |             |             |                   |      | 0       |              | 0 |
| Weifang Chenming New and Old Kinetic Energy                            |   |  |   |             |             |                   |      | 0       |              | 0 |
| Conversion of equity investment fund partnership (limited partnership) |   |  |   |             |             |                   |      | 0       |              | 0 |
|  | Guangzhou/Shanghai/Shandong/Guangdong/Zhejiang/Hubei/Tianjin/Mo/Inner Mongolia/Xinjiang/Shanghai/Hebei/Wuxi/Wenzhou |  |   |             |             |                   |      | 0       |              | 0 |

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9. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(1) Composition of enterprise groups (continued)

| Subsidiary name  | Place                         |                   |   | shareholding  |               | Debt             |                   | Issued share |  |
|--|-------------------------------|-------------------|---|---------------|---------------|------------------|-------------------|--------------|--|
|  | of main business registration | Place of business | Nature of legal person  | ratio direct  | Indirect      | Obtaining method | Securities issued | capital      |  |
| Nanjing Chenming Culture Communication Co., Ltd.   | Nanjing                       | Nanjing           | Marketing For-profit Legal Person Hong Kong Hong Kong Paper Products Trading For-profit | 100.00%       | Establishment | 100.00%          | 0                 | 0            |  |
| Chenming (Overseas) Co., Ltd. Chenming   | Legal Person Singapore        | Singapore         | Paper Products Trading For-profit Legal Person Rubber Plastic For-profit                | Establishment | 100.00%       |                  | 0                 | 0            |  |
| (Singapore) Co., Ltd. Kunshan Tuon Plastic   | Legal Person Kunshan          | Kunshan           | Huanggang Huanggang Fund For-profit Legal Person  | Establishment | 100.00%       | M&A 55.97%       | 0                 | 0            |  |
| Products Co., Ltd. Hubei Changjiang Chenming   |                               |                   |   | Establishment |               |                  | 0                 | 0            |  |
| Huanggang Equity Investment Fund Partnership (Limited Partnership)                         |                               |                   |   |               |               |                  | 0                 | 0            |  |
| Hainan Chenming Technology   |                               |                   |   |               |               |                  |                   |              |  |
| Co., Ltd. Qingdao Chenming Ming Import and   | Haklou                        | Haklou            | Wholesale and retail for-profit legal person trading                                    | 100.00%       | Establishment | 100.00%          | 0                 | 0            |  |
| Export Trading Co., Ltd. Shanghai Hensl Investment Co.,                                    | Qingdao                       | Qingdao           | for-profit legal person business service for-profit                                     | Establishment | 100.00%       | M&A 60.00%       | 0                 | 0            |  |
| Ltd. Hubei Huanggang Chenming Equity   | Shanghai                      | Shanghai          | legal person capital market service for-profit legal                                    | Establishment |               |                  | 0                 | 0            |  |
| Investment Fund Management Co., Ltd. Shandong Dingkun                                      | Huanggang                     | Huanggang         | person  |               |               |                  | 0                 | 0            |  |
| Asset Management   |                               |                   |   |               |               |                  |                   |              |  |
| Partnership (Limited Partnership) Shouguang Huanggang Chenming Paper Technology Co., Ltd.  | Shouguang                     |                   | Business service for-profit paper-made for-profit                                       | 99.90%        | Established   | 100.00%          | 0                 | 0            |  |
| Huanggang Huanggang Chenming Port Co., Ltd. Huanggang Weitang Chendu Equity Investment     | Huanggang                     |                   | corporation port service for-profit corporation capital                                 | Established   | 51.00%        | Established      | 0                 | 0            |  |
| Partnership (Limited Partnership) Shouguang Huanggang Chenming Pulp and Fiber Trading Co., | Huanggang                     |                   | market service for-profit corporation trade for-profit                                  | Established   | 100.00%       | Established      | 0                 | 0            |  |
| Ltd. Huanggang   | Shouguang                     |                   | corporation   | 79.75%        |               |                  | 0                 | 0            |  |
|  | Huanggang                     |                   |   |               |               |                  | 0                 | 0            |  |

(2) Important non-wholly owned subsidiaries

unit: yuan

| Subsidiary name                           | Minority Shareholding Ratio | Profit and loss attributable to minority | Dividends declared for distribution            | Balance of minority shareholders' |
|---|-----------------------------|--|--|-----------------------------------|
|   |                             | shareholders in the current period       | to minority shareholders in the current period | equity at the end of the period   |
| Shouguang Chenming Art Paper Co.,         | 25.00%                      | -335,609.74                              |  | 94,958,580.73                     |
| Ltd. Shouguang Meilun Paper Co., Ltd.     | 37.5136%                    | 49,134,340.15                            |  | 2,608,632,811.11                  |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 8.23%                       | 6,806,334.65                             |  | 660,942,447.96                    |



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9. Interests in other entities (continued)

2. The owner's equity share in the subsidiary has changed and the transaction of the subsidiary is still controlled

(1) Explanation on the changes in the owner's equity share of subsidiaries

The company originally held 96.26% of the equity of Zhanjiang Chenming Pulp & Paper Co., Ltd. In June 2022, Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) unilaterally increased capital to Zhanjiang Chenming Pulp & Paper Co., Ltd. After the capital increase was completed, it acquired 4.40% equity of Zhanjiang Chenming Pulp & Paper Co., Ltd. The transaction did not cause the Company to lose control over Zhanjiang Chenming Pulp & Paper Co., Ltd. The transaction increased the capital reserve by RMB 29,676,800.

(2) The impact of the transaction on the minority shareholders' equity and the owner's equity attributable to the parent company

unit: yuan

|  | Xiamen International Trade Industry<br>Development Equity Investment Fund Partnership (Limited<br>Partnership) unilaterally increased capital to<br>Zhanjiang Chenming Pulp & Paper Co., Ltd. |
|--|---|
| Amount of capital  | 400,000,000.00  |
| increase Share of net assets enjoyed by the company after capital                            | 7,262,988,678.16  |
| increase Difference in share of net assets enjoyed by the company<br>before capital increase | 7,233,311,863.47  |
|  | 29,676,814.69   |
| Including: adjusted capital reserve  | 29,676,814.69   |

3. Interests in joint venture arrangements or joint ventures

(1) Important joint ventures or associates

| Joint venture or associate company name                                       | The business nature of the registered place of the main place of business |  | Shareholding ratio | Indirect accounting<br>treatment for investments |
|---|---|--|--------------------|--|
|   |   |  | direct             | in joint ventures or associates                  |
| Wefang Sime Darby Westport Co., Ltd.  | Wefang  | Wefang Port Construction 50.00% Ningbo Investment    |                    | Equity method                                    |
| Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership) | Ningbo  | Management 40.00% Wefang Chemical Industry 50.00%    |                    | Equity method                                    |
| Wefang Xingxing United Chemical Co., Ltd.                                     | Wefang  | Zhuhai Investment Management 50.00% Changsha Futures |                    | Equity method                                    |
| Zhuhai Dechen NEEQ Equity Investment Fund Enterprise (Limited Partnership)    | Zhuhai  | 35.43% Guangdong Bank 6.76%                          |                    | Equity method                                    |
| Jinxin Futures Co., Ltd.  | Changsha  |  |                    | Equity method                                    |
| Guangdong Nanyue Bank Co., Ltd. company                                       | Guangdong   |  |                    | Equity method                                    |

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## 9. Interests in other entities (continued)

## 3. Interests in joint venture arrangements or joint ventures (continued)

## (2) Main financial information of important joint ventures

unit: yuan

|   | Closing balance/Amount         | Beginning balance/amount        |
|---|--------------------------------|---------------------------------|
| Weifang Sime Darby Westport Co., Ltd.   | incurred in the current period | incurred in the previous period |
| Current assets  | 25,297,253.82                  | 21,774,345.85                   |
| including: cash and cash equivalents Non-   | 5,881,297.45                   | 7,054,019.11                    |
| current assets Total  | 499,047,444.00                 | 507,959,459.20                  |
| assets Current  | 524,344,697.82                 | 529,733,805.05                  |
| liabilities Non-  | 28,199,178.16                  | 12,094,403.33                   |
| current liabilities   | 362,562,252.51                 | 377,812,252.49                  |
| Total liabilities   | 390,761,430.67                 | 389,906,655.82                  |
| attributable to shareholders' equity of the   | 133,583,267.15                 | 139,827,149.23                  |
| parent company Net asset share adjustments calculated   | 66,791,633.58                  | 69,913,574.62                   |
| according to  |                                |                                 |
| shareholding ratio - Unrealized profits   | 7,570,890.35                   | 7,457,424.14                    |
| from internal transactions The book value of equity   | 74,362,523.93                  | 77,370,998.75                   |
| investments in joint ventures Fair value of equity investment in joint ventures with                      |                                |                                 |
| publicly quoted   | 31,433,562.91                  | 37,344,708.25                   |
| value Operating   | 10,778,949.56                  | 10,648,523.23                   |
| income Financial  |                                |                                 |
| expenses  | -6,013,863.17                  | -181,542.45                     |
| Income tax expenses Net profit  |                                |                                 |
| Net profit from   |                                |                                 |
| discontinued operations   | -6,013,863.17                  | -181,542.45                     |
| Other comprehensive income Total comprehensive income Dividends received from joint ventures for the year |                                |                                 |

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## 9. Interests in other entities (continued)

## 3. Interests in joint venture arrangements or joint ventures (continued)

## (2) Major financial information of important joint ventures (continued)

| Weifang Xingxing United Chemical Co., Ltd.   | Closing balance/Amount         | Beginning balance/amount        |
|--|--------------------------------|---------------------------------|
|  | incurred in the current period | incurred in the previous period |
| Current assets   | 114,838,677.84                 | 100,024,598.36                  |
| including: cash and cash equivalents Non-  | 47,230,710.07                  | 10,187,071.60                   |
| current assets Total   | 15,936,927.61                  | 20,299,403.19                   |
| assets Current   | 130,775,605.45                 | 120,324,001.55                  |
| liabilities Non-   | 29,133,526.39                  | 27,883,399.22                   |
| current liabilities  | 7,272,868.96                   | 12,417,862.06                   |
| Total minority   | 36,406,395.35                  | 40,301,261.28                   |
| interests attributable to  |                                |                                 |
| shareholders' equity of the parent   | 94,369,210.10                  | 80,022,740.27                   |
| company Net asset share adjustments calculated in  | 47,184,605.05                  | 40,011,370.14                   |
| proportion to  |                                |                                 |
|  | 44,689,780.07                  | 44,612,417.61                   |
| shareholdings – Book value of other equity investments   | 91,874,385.12                  | 84,623,787.74                   |
| in joint ventures Fair value of equity investments in joint ventures with public                       |                                |                                 |
| quotations   | 9,070,496.70                   | 404,300.88                      |
| Operating  | -374,801.93                    | -121,109.94                     |
| income Financial   |                                |                                 |
| expenses   | 7,126,354.85                   | -1,450,118.81                   |
| Income tax expenses Net profit   |                                |                                 |
| Net profit from  |                                |                                 |
| discontinued operations  | 7,126,354.85                   | -1,450,118.81                   |
| Other comprehensive income Total comprehensive income Dividends received from joint ventures this year |                                |                                 |

## (3) Main financial information of important associates

unit: yuan

| Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership) | Closing balance/Amount         | Beginning balance/amount        |
|---|--------------------------------|---------------------------------|
|   | incurred in the current period | incurred in the previous period |
| Current assets  | 4,370,525.23                   | 4,378,938.81                    |
| Total non-current   | 189,276,814.94                 | 189,276,706.00                  |
| assets Total  | 193,647,340.17                 | 193,655,644.81                  |
| current liabilities   |                                |                                 |
| Total liabilities   |                                |                                 |
| attributable to shareholders' equity of                                       | 193,647,600.17                 | 193,655,644.81                  |
| the parent company Net asset share adjustments                                | 77,455,941.70                  | 77,459,159.43                   |
| based on  |                                |                                 |
| shareholding  | 119,838,326.16                 | 119,838,326.16                  |
| ratio - Book value of other equity investments in                             | 197,294,267.86                 | 197,297,485.59                  |
| associates  | -8,044.64                      | 858,903.93                      |
| Net profit Total comprehensive income   | -8,044.64                      | 858,903.93                      |

## Section 10 Financial Report

## 9. Interests in other entities (continued)

## 3. Interests in joint venture arrangements or joint ventures (continued)

## (3) Main financial information of important associates (continued)

|  | Closing balance/Amount         | Beginning balance/amount        |
|--|--------------------------------|---------------------------------|
| Zhuai Dechen New Third Board Equity Investment Fund Enterprise (Limited Partnership) | incurred in the current period | incurred in the previous period |
| Total Current  | 9,149,573.99                   | 7,991,295.94                    |
| Assets Non-Current   | 60,792,108.00                  | 65,956,891.00                   |
| Assets Total   | 69,941,681.99 5,000.00         | 73,948,186.94 5,000.00          |
| Current Liabilities  |                                |                                 |
| Total Liabilities  |                                |                                 |
| Attributable to Shareholders' Equity of the  | 69,936,681.99                  | 73,943,186.94                   |
| Parent Company Share of Net Assets Calculated Per                                    | 34,964,844.16                  | 36,967,896.31                   |
| Shareholding Proportion Book Value of Equity Investments in                          | 34,964,844.16                  | 36,967,896.31                   |
| Associates   | -4,006,504.95                  | -12,211,392.16                  |
| Net Profit Total Comprehensive Income  | -4,006,504.95                  | -12,211,392.16                  |

|   | Closing balance/Amount         | Beginning balance/amount        |
|---|--------------------------------|---------------------------------|
| Jinxin Futures Co., Ltd.                        | incurred in the current period | incurred in the previous period |
| Current assets                                  | 737,682,309.63                 | 764,880,728.01                  |
| Total non-current                               | 21,605,294.08                  | 20,791,974.11                   |
| assets Total                                    | 759,287,603.71                 | 785,672,702.12                  |
| current   | 532,162,303.07                 | 556,373,303.71                  |
| liabilities Non-                                | 39,771,231.87                  | 34,269,041.10                   |
| current   | 571,933,534.94                 | 590,642,344.81                  |
| liabilities Total attributable to               | 187,354,068.77                 | 195,030,357.31                  |
| shareholders' equity of the parent company Net  | 66,379,546.57                  | 69,099,255.59                   |
| asset share                                     |                                |                                 |
| adjustments                                     | 104,073,292.25                 | 104,073,292.25                  |
| - Goodwill                                      | 12,681,688.88                  | 12,279,914.66                   |
| - Other book value of investment in associates' | 183,134,527.70                 | 185,452,462.50                  |
| equity  | 27,108,619.25                  | 9,407,419.49                    |
| Operating                                       | -7,109,291.31                  | -17,089,018.40                  |
| income Net profit Comprehensive income lump sum | -7,109,291.31                  | -17,089,018.40                  |



## Section 10 Financial Report

## 9. Interests in other entities (continued)

## 3. Interests in joint venture arrangements or joint ventures (continued)

## (3) Main financial information of important associates (continued)

| Guangdong Nanyue Bank Co., Ltd.   | Closing balance/Amount         | Beginning balance/amount        |
|---|--------------------------------|---------------------------------|
|   | incurred in the current period | incurred in the previous period |
| Current assets  | 198,800,828,582.08             | 146,917,546,535.28              |
| Non-current assets  | 58,633,124,899.89              | 207,826,316,112.45              |
| Total assets  | 159,787,424,749.38             | 163,449,937,524.03              |
| Current liabilities   | 23,509,056,497.47              | 188,668,265,020.70              |
| Non-current liabilities Total   | 19,158,051,091.75              | 18,591,677,413.67               |
| liabilities attributable to shareholders'   |                                |                                 |
| equity of the parent company Net asset share adjustments  |                                |                                 |
| based on  | 24,616,009.62                  |                                 |
| shareholding ratio - Other book value of equity   | 1,318,742,360.87               | 1,255,867,809.29                |
| investments in associates   | 13,809,608,464.83              | 2,009,057,538.56                |
| Operating income Net profit Other   | 70,787,018.40                  |                                 |
| comprehensive income Comprehensive income Total Dividends received from associates for the year | 436,236,504.14                 | 21,000,000.00                   |

## (4) Summary financial information of unimportant joint ventures and associates

unit: yuan

|  | Closing balance/Amount         | Beginning balance/amount        |
|--|--------------------------------|---------------------------------|
|  | incurred in the current period | incurred in the previous period |
| Joint ventures:  |                                |                                 |
| total book value of investment The total of the following items calculated according to the shareholding ratio - net profit Associated enterprises: total book value of investment | 17,462,210.13                  | 21,518,994.58                   |
|  | -3,056,784.45                  | 791,377.16                      |
|  | 6,379,351.54                   | 7,488,250.59                    |
|  | -168,899.05                    | -223,836.86                     |

## (5) Excess losses incurred by joint ventures or associates

unit: yuan

| Joint venture or associate company name         | Unrecognized losses in the current |                               |  |
|---|------------------------------------|-------------------------------|--|
|   | Accumulated unrecognized losses    | period (or shared net profits | Accumulated                                  |
|   | accumulated in previous periods    | in the current period)        | unrecognized losses at the end of the period |
| Arno Wiggins Chenming Specialty Paper Co., Ltd. | 7,308,869.16                       |                               | 7,308,869.16                                 |
| Xuchang Chenming Paper Co., Ltd.                | 79,793,370.43                      | 31,161,297.89                 | 110,954,668.32                               |

## Section 10 Financial Report

### X. Risks related to financial instruments

The company's main financial instruments include monetary funds, accounts receivable, receivables financing, other receivables, non-current assets due within one year, other current assets, transactional financial assets, and other non-current financial assets, Long-term receivables, notes payable, accounts payable, other payables, short-term loans, non-current liabilities due within one year, long-term loans, lease liabilities and long-term payables. Details of each financial instrument have been disclosed in the relevant 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 company's management manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

#### 1. Risk management objectives and policies

The goal of the company's risk management is to achieve an appropriate balance between risks and benefits, and strive to reduce the adverse impact of financial risks on the company's financial performance. Based on this risk management objective, the Company has formulated risk management policies to identify and analyze the risks faced by the Company, set appropriate risk acceptable levels and design corresponding internal control procedures to monitor the Company's risk levels. The company will regularly review these risk management policies and related internal control systems to adapt to changes in market conditions or the company's business activities. The company's internal audit department also regularly or randomly checks whether the implementation of the internal control system complies with the risk management policy.

The main risks caused by the company's financial instruments are credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and commodity price risk).

The Board of Directors is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The company has formulated risk management policies to identify and analyze the risks faced by the company. These risk management policies clearly stipulate specific risks, covering many aspects such as market risk, credit risk and liquidity risk management. The company regularly evaluates changes in the market environment and the company's business activities to determine whether to update risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the company. The company's internal audit department conducts regular audits on risk management controls and procedures, and reports the audit results to the company's audit committee.

The company diversifies the risk of financial instruments through appropriate diversified investment and business portfolio, and reduces the risk of concentration in a single industry, specific region or specific counterparty by formulating corresponding risk management policies.

##### (1) Credit risk

Credit risk refers to the risk that the counterparty fails to perform its contractual obligations and cause financial losses to the Company.

The Company manages credit risk by portfolio classification. Credit risk mainly arises from bank deposits, notes receivable, accounts receivable, other receivables, and long-term receivables.

The company's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks. The company expects that there will be no significant credit risk in bank deposits.

## Section 10 Financial Report

### X. Risks related to financial instruments (continued)

#### 1. Risk management objectives and policies (continued)

##### (1) Credit risk (continued)

For notes receivable, accounts receivable, other receivables and long-term receivables, the company sets relevant policies to control credit risk exposure. The company evaluates the customer's credit qualification based on the customer's financial status, credit history and other factors such as current market conditions and sets a corresponding credit period. The company will regularly monitor the credit records of customers. For customers with bad credit records, the company will use written reminders, shorten the credit period or cancel the credit period to ensure that the company's overall credit risk is within a controllable range .

The debtors of the Company's accounts receivable are customers in different industries and regions. The Company continuously conducts credit evaluations on the financial status of accounts receivable and purchases credit guarantee insurance when appropriate.

The maximum credit risk exposure borne by the Company is the book value of each financial asset in the balance sheet. The company has not provided any other guarantees that may expose the company to credit risk.

Among the company's accounts receivable, accounts receivable from the top five customers accounted for 26.34% (2021: 24.95%) of the company's total accounts receivable; Other receivables accounted for 74.49% (2021: 72.71%) of the Company's total other receivables.

##### (2) Liquidity risk

Liquidity risk refers to the risk that the company encounters a shortage of funds when fulfilling its obligation to deliver cash or other financial assets for settlement.

When managing liquidity risk, the company maintains and monitors cash and cash equivalents deemed sufficient by the management to meet the company's operating needs and reduce the impact of cash flow fluctuations. The management of the company monitors the use of bank loans and ensures compliance with the loan agreement. At the same time, obtain a commitment from major financial institutions to provide sufficient backup funds to meet short-term and long-term funding needs.

The Company raises working capital through funds generated from operating business and bank and other borrowings. As of June 30, 2022, the company's unused bank borrowings amounted to RMB 40,650,000,000 (December 31, 2021: RMB 42,832,188,000).

Section 10 Financial Report

X. Risks related to financial instruments (continued)

1. Risk management objectives and policies (continued)

(2) Liquidity risk (continued)

At the end of the period, the financial assets, financial liabilities and off-balance sheet guarantee items held by the company are analyzed according to the maturity period of the undiscounted remaining contractual cash flow (unit: RMB ten thousand):

|   | 2022.06.30    |            |            |           |              |              |
|---|---------------|------------|------------|-----------|--------------|--------------|
| project   | within 1 year | 1-2 years  | 2-3 years  | 3-4 years | over 4 years | total        |
|   |               |            |            |           |              |              |
| Financial assets:   |               |            |            |           |              |              |
| Monetary funds  | 1,489,190.53  |            |            |           |              | 1,489,190.53 |
| Accounts  | 377,424.26    |            |            |           |              | 377,424.26   |
| receivable Accounts   | 91,272.75     |            |            |           |              | 91,272.75    |
| receivable Financing  | 274,959.34    |            |            |           |              | 274,959.34   |
| Other receivables   |               | 175,087.96 | 8,519.67   | 7,000.00  | 1,500.00     | 192,107.63   |
| Long-term receivables                                       | 141,558.73    |            |            |           |              | 141,558.73   |
| Other current assets Non-current assets due within one year | 521,604.42    |            |            |           |              | 521,604.42   |
|   |               |            |            |           |              |              |
| Total financial assets                                      | 2,896,010.03  | 175,087.96 | 8,519.67   | 7,000.00  | 1,500.00     | 3,088,117.66 |
|   |               |            |            |           |              |              |
| Financial Liabilities:                                      |               |            |            |           |              |              |
| Short-term  | 3,635,966.39  |            |            |           |              | 3,635,966.39 |
| borrowings  | 403,508.13    |            |            |           |              | 403,508.13   |
| payable Notes   | 326,898.69    |            |            |           |              | 326,898.69   |
| payable Accounts  | 147,844.01    |            |            |           |              | 147,844.01   |
| payable Other payables Non-current liabilities              | 455,835.17    |            |            |           |              | 455,835.17   |
| due within one  |               | 206,515.51 | 30,929.00  | 20,675.00 | 278,204.00   | 536,323.51   |
| year Long-term  |               | 623.41     | 659.67     | 659.67    | 5,351.41     | 7,294.16     |
| borrowings Lease liabilities Long-term payables             |               | 184,070.43 | 127,498.73 | 42,560.18 | 15,207.33    | 369,336.68   |
|   |               |            |            |           |              |              |
| Total financial liabilities and contingent liabilities      | 4,970,052.39  | 391,209.35 | 159,087.40 | 63,894.85 | 298,762.74   | 5,883,006.74 |

Section 10 Financial Report

X. Risks related to financial instruments (continued)

1. Risk management objectives and policies (continued)

(2) Liquidity risk (continued)

At the beginning of the period, the financial assets, financial liabilities and off-balance-sheet guarantee items held by the company are analyzed according to the maturity period of the undiscounted remaining contractual cash flow (unit: RMB ten thousand):

| 2021.12.31  |               |            |            |           |              |              |
|---|---------------|------------|------------|-----------|--------------|--------------|
| project   | within 1 year | 1-2 years  | 2-3 years  | 3-4 years | over 4 years | total        |
| Financial assets:   |               |            |            |           |              |              |
| Monetary funds  | 1,411,978.29  |            |            |           |              | 1,411,978.29 |
| Accounts receivable Accounts                                      | 310,581.86    |            |            |           |              | 310,581.86   |
| receivable Accounts   | 43,545.93     |            |            |           |              | 43,545.93    |
| receivable Financing  | 278,992.06    |            |            |           |              | 278,992.06   |
| Other receivables   |               | 201,047.51 | 8,329.67   | 5,600.00  |              | 214,977.18   |
| Long-term receivables   | 124,691.54    |            |            |           |              | 124,691.54   |
| Other current assets Non-current assets due within one year       | 684,643.44    |            |            |           |              | 684,643.44   |
| Total financial assets  |               |            |            |           |              |              |
|   | 2,854,433.12  | 201,047.51 | 8,329.67   | 5,600.00  |              | 3,069,410.30 |
| Financial Liabilities:  |               |            |            |           |              |              |
| Short-term borrowings   | 3,352,302.52  |            |            |           |              | 3,352,302.52 |
| payable Notes   | 308,951.23    |            |            |           |              | 308,951.23   |
| payable Accounts  | 387,113.13    |            |            |           |              | 387,113.13   |
| payable Other payables Non-current liabilities                    | 148,257.58    |            |            |           |              | 148,257.58   |
| due within one year   | 694,976.96    |            |            |           |              | 694,976.96   |
| year Bonds  |               | 15,500.00  |            |           |              | 15,500.00    |
| payable Long-term borrowings Lease liabilities Long-term payables |               | 124,525.02 | 88,929.00  | 10,929.00 | 303,251.00   | 527,634.02   |
|   |               | 472.83     | 1,312.99   | 1,312.99  | 4,594.13     | 7,692.94     |
|   |               | 119,406.55 | 89,244.16  | 18,273.94 | 22,500.00    | 249,424.65   |
| Total financial liabilities and contingent liabilities            |               |            |            |           |              |              |
|   | 4,891,601.42  | 259,904.40 | 179,486.15 | 30,515.93 | 330,345.13   | 5,691,853.03 |

The amounts of financial liabilities disclosed in the table above represent undiscounted contractual cash flows and may therefore differ from the carrying amount in the balance sheet.

The maximum guarantee amount of the signed guarantee contract does not represent the amount to be paid.

(3) Market risk

The market risk of financial instruments refers to the risk of fluctuations in the fair value or future cash flow of financial instruments due to changes in market prices, including interest rate risk, exchange rate risk and other price risks.

Interest Rate Risk

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. Interest rate risk can arise from both recognized interest-bearing financial instruments and unrecognized financial instruments (such as certain loan commitments).

Section 10 Financial Report

X. Risks related to financial instruments (continued)

1. Risk management objectives and policies (continued)

(3) Market risk (continued)

Interest Rate Risk(continued)

The company's interest rate risk mainly arises from long-term interest-bearing debts such as long-term bank loans and bonds payable. Financial liabilities with floating rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed rates expose the Company to fair value interest rate risk. The company determines the relative proportion of fixed-rate and floating-rate contracts according to the prevailing market environment, and maintains an appropriate combination of fixed-rate and floating-rate instruments through regular review and monitoring.

The company pays close attention to the impact of interest rate changes on the company's interest rate risk. The Company currently does not adopt an interest rate hedging policy. However, management is responsible for monitoring interest rate exposure and will consider hedging significant interest rate exposure should the need arise. A rise in interest rates will increase the cost of new interest-bearing debts and the interest expenses of the company's outstanding interest-bearing debts with floating interest rates, and have a significant adverse impact on the company's financial performance. These adjustments may be the arrangement of interest rate swaps to reduce interest rate risk.

The interest-bearing financial instruments held by the company are as follows (unit: RMB ten thousand):

| project   | current year | Last year    |
|---|--------------|--------------|
| Financial instruments with fixed interest rates   |              |              |
| Financial liabilities Including:                  | 3,633,944.01 | 3,350,170.45 |
| Short-term loans                                  | 534,746.81   | 526,438.53   |
| Long-term loans                                   |              | 15,500.00    |
| Payable bonds due within one year                 | 146,971.75   | 258,373.04   |
| Long-term loans Payable bonds due within one year | 35,000.00    | 127,063.69   |
| total   | 4,350,662.57 | 4,277,545.71 |
| Floating rate financial instruments               |              |              |
| Financial assets                                  |              |              |
| of which: monetary funds                          | 313,929.26   | 316,598.98   |
| total   | 313,929.26   | 316,598.98   |

For the financial instruments held on the balance sheet date that expose the company to fair value interest rate risk, the impact on net profit and shareholders' equity in the above sensitivity analysis is based on the assumption that the interest rate changes on the balance sheet date. The effect of remeasurement of financial instruments. For the floating rate non-derivative instruments held on the balance sheet date that expose the company to cash flow interest rate risk, the impact of the above sensitivity analysis on net profit and shareholders' equity is the impact of the above interest rate changes on the annual estimated interest expense or income Impact. The previous year's analysis was based on the same assumptions and methodology.

Section 10 Financial Report

X. Risks related to financial instruments (continued)

1. Risk management objectives and policies (continued)

(3) Market risk (continued)

currency risk

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in foreign currencies other than the functional currency.

The company's main business is located in China, and the main business is settled in RMB. However, the company's confirmed foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars, Japanese yen, Korean won, euros, Hong Kong dollars and British pounds) still have foreign exchange risks.

As of June 30, 2022, the amount of foreign currency financial assets and foreign currency financial liabilities held by the company converted into RMB is listed as follows (unit: RMB ten thousand):

| project | Closing balance of           |                 | Closing balance of      |                 |
|---------|------------------------------|-----------------|-------------------------|-----------------|
|         | foreign currency liabilities | Opening balance | foreign currency assets | Opening balance |
| USD     | 212,254.31                   | 361,192.84      | 73,545.80               | 67,590.57       |
| EUR     | 1,467.31                     | 1,910.41        | 13,424.79               | 3,929.49        |
| HKD     |                              | 4,055.52        | 16.36                   | 69.89           |
| KRW     |                              |                 |                         | 7.04            |
| JPY     | 0.97                         |                 | 720.47                  | 812.91          |
| GBP     |                              |                 | 7.23                    |                 |
| total   | 213,722.59                   | 367,158.77      | 87,714.65               | 72,409.90       |

The company pays close attention to the impact of exchange rate changes on the company's exchange rate risk. The company has not taken any measures to avoid exchange rate risk. However, management is responsible for monitoring exchange rate exposure and will consider hedging significant exchange rate exposure should the need arise.

Under the condition that other variables remain unchanged, the after-tax impact of possible reasonable changes in the foreign currency to RMB exchange rate this year on the company's current profit and loss is as follows (unit: RMB ten thousand):

| Profit after tax rises (falls) | current year |            | Last year |            |
|--------------------------------|--------------|------------|-----------|------------|
| Dollar rate rises Dollar       | 5%           | -14,290.01 | 5%        | -14,680.11 |
| rate falls Euro rate           | -5%          | 14,290.01  | 100.95    |            |
| rises Euro rate falls          | 5%           | 744.61     | 5%        |            |
|                                | -5%          | -744.61    | -5%       | -100.95    |

Section 10 Financial Report

X. Risks related to financial instruments (continued)

2. Capital management

The goal of the company's capital management policy is to ensure that the company can continue to operate, thereby providing returns to shareholders and benefiting other stakeholders, while maintaining an optimal capital structure to reduce capital costs.

In order to maintain or adjust the capital structure, the company may adjust financing methods, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce debt.

The Company monitors the capital structure based on the gearing ratio (that is, total liabilities divided by total assets). As of June 30, 2022, the company's asset-liability ratio was 72.89% (December 31, 2021: 72.78%).

XI. Disclosure of fair value

According to the input value of the lowest level that is of great significance to the measurement as a whole in the fair value measurement, the fair value level can be divided into:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Using observable inputs other than quoted market prices for the asset or liability in level 1, either directly (ie, prices) or indirectly (ie, derived from prices).

Level 3: The asset or liability uses any input that is not based on observable market data (unobservable input).

1. Ending fair value of assets and liabilities measured at fair value

As of June 30, 2022, assets and liabilities measured at fair value are listed as follows according to the above three levels:

unit: yuan

| project   | The first level<br>of fair value measurement | The second<br>level of fair value measurement | The third level<br>of fair value measurement | total            |
|---|--|---|--|------------------|
| 1. Continuous fair value measurement                    |  |   |  |                  |
| (1) Trading financial assets 1.                         | 51,033,051.57                                |   | 51,033,051.57                                |                  |
| Equity instrument investment                            | 51,033,051.57                                |   | 51,033,051.57                                |                  |
| (2) Accounts receivable                                 |  |   | 912,727,537.75                               | 912,727,537.75   |
| financing (3) Other non-current financial               |  |   | 519,927,003.25                               | 519,927,003.25   |
| assets (4) Biological                                   |  |   | 1,500,540,144.47                             | 1,500,540,144.47 |
| assets 1. Consumable biological assets                  |  |   | 1,500,540,144.47                             | 1,500,540,144.47 |
| Total assets that continue to be measured at fair value | 51,033,051.57                                | 2,933,194,685.47                              | 2,984,227,737.04                             |                  |

In this year, the fair value measurement of the Company's financial assets and financial liabilities did not switch between the first level and the second level, nor was it transferred into or out of the third level.



Section 10 Financial Report

XI. Disclosure of fair value (continued)

2. Quantitative information of important unobservable input values used in the third level of fair value measurement

unit: yuan

| content   | Fair value valuation techniques at the end of the period | unobservable input value                   | scope  |
|---|--|--|--|
| Equity instrument   |  |  |  |
| investment: Shandong Hongqiao Venture Capital Co., Ltd. 72,510,000.00 | Cost method  | Consumable                                 |  |
| biological assets: Forest trees                                       |  |  |  |
|   | 1,500,540,144.47 Replacement cost method                 | Eucalyptus cost per acre in the first year | Cost of pine trees 806.00 (yuan/ton) 590.00  |
|   |  | per acre in the first year                 | Market (yuan/ton) 590.00 (yuan/ton)  |
|   | price reversed method                                    | Eucalyptus unit price per ton              | The unit price of slash pine is 525.00 (yuan/ton) The unit price of Chinese fir is 800.00 (yuan/ton) |

12. Related parties and related transactions

1. The parent company of the company

| parent company name       | Registration | business nature                                       | Registered capital (ten thousand yuan) | The parent company's                 | Proportion of voting rights of the |
|---------------------------|--------------|---|--|--------------------------------------|------------------------------------|
|                           |              |   |  | shareholding ratio in the enterprise | parent company to the enterprise   |
| Chenming Holdings Limited | Shouguang    | For papermaking, electricity, heat, forestry projects | 123,878.77                             | 27.53%                               | 27.53%                             |

The ultimate controlling party of this enterprise is the State-owned Assets Supervision and Administration Bureau of Shouguang City.

2. The company's subsidiaries

Please refer to Note IX.1 for the details of the subsidiaries of the Company.

Section 10 Financial Report

XII. Related parties and related transactions (continued)

3. The company's joint ventures and associates

Please refer to Note IX.3 for details of important joint ventures or associates of the company.

The situation of other joint ventures or associates that had related party transactions with the company in the current period, or had balances with the company in the previous period is as follows:

| Joint venture or associate company name                      | Relationship with the company       |
|--|-------------------------------------|
| Weifang Sime Darby Westport Co., Ltd. Shouguang              | Joint Ventures of the Company Joint |
| Meite Environmental Protection Technology Co., Ltd.          | Ventures of the Company Joint       |
| Weifang Xingxing United Chemical Co., Ltd. Shouguang         | Ventures of the Company Joint       |
| Chenming Huisen New Building Materials Co., Ltd. Anhui Times | Ventures of the Company Associates  |
| Materials Co., Ltd. Lide Technology Co., Ltd. Chenming       | of the Company Associates of the    |
| (Qingdao) Asset Management Co.,                              | Company                             |
| Ltd. Jiangxi Chenming Port Co., Ltd. Guangdong Nanyue        |                                     |
| Bank Co., Ltd.   |                                     |

4. Other related parties

| Name of other related parties  | Relationship between other related parties and the company                             |
|--|--|
| Shouguang Huixin Building Materials Co., Ltd.                        | Key management personnel of subsidiaries of companies invested by directors and senior |
| Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Chuanxuan,      | management of the company  |
| Yuan Xikun, Li Xueqin, Li Zhenzhong, Li Weixian, Dong Lianming, etc. |  |

5. Related transactions

(1) Affiliated transactions of purchase and sale of goods, provision and acceptance of labor services

| Purchasing Goods/Receiving Labor Services Form |                             |   |                   |   | unit: yuan                             |
|--|-----------------------------|---|-------------------|---|--|
| Related party                                  | Related transaction content | Approved transaction quota for current period |                   | Whether the transaction limit is exceeded | Amount incurred in the previous period |
| Weifang Sime Darby Westport Co., Ltd.          | Port charges                | 32,355,133.76                                 | 100,000,000.00 no |   | 38,373,133.21                          |

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XII. Related parties and related transactions (continued)

5. Related transactions (continued)

(1) Affiliated transactions of purchase and sale of goods, provision and acceptance of services (continued)

List of sales of goods/provision of labor services

unit: yuan

| Related party  | Related transaction content   | Amount incurred in the current period | Amount incurred in the previous period |
|--|---|---------------------------------------|--|
| Shouguang Chenming Huisen New Building Materials Co., Ltd. | sells electricity and automobiles Shouguang Huixin Building Materials Co., Ltd. sells cement, coal, oil, etc. | 8,581,891.97 26,377.86                | 4,489,589.98 1,183,941.17              |

(2) Related guarantees

The company as a guarantor

unit: yuan

| guaranteed party                          | Guarantee Amount | Guarantee Start Date | Guarantee Expiry Date | Whether the guarantee has been fulfilled |
|---|------------------|----------------------|-----------------------|--|
| Weifang Sime Darby Westport Co., Ltd.     | 117,400,000.00   | 2017-12-20           | 2027-12-20            | No No No No                              |
| Chenming (Hong Kong) Co., Ltd.            | 105,330,858.44   | 2022-3-28            | 2022-9-23             |  |
| Chenming (Hong Kong) Co., Ltd.            | 19,043,008.17    | 2022-5-6             | 2022-8-31             |  |
| Chenming (Hong Kong) Co., Ltd.            | 21,876,110.04    | 2022-4-1             | 2022-9-28             |  |
| Chenming (Hong Kong) Co., Ltd.            | 8,339,395.51     | 2022-4-3             | 2022-9-30             |  |
| Chenming (Hong Kong) Co., Ltd.            | 22,083,177.27    | 2022-4-6             | 2022-10-3             |  |
| Chenming (Hong Kong) Co., Ltd.            | 10,155,458.74    | 2022-4-12            | 2022-10-9             |  |
| Chenming (Hong Kong) Co., Ltd.            | 24,836,747.91    | 2022-4-25            | 2022-7-20             |  |
| Chenming (Hong Kong) Co., Ltd.            | 23,392,524.43    | 2022-4-22            | 2022-10-19            |  |
| Chenming (Hong Kong) Co., Ltd.            | 23,114,885.89    | 2022-5-30            | 2022-8-19             |  |
| Chenming (Hong Kong) Co., Ltd.            | 22,023,296.55    | 2022-5-27            | 2022-11-23            |  |
| Chenming (Hong Kong) Co., Ltd.            | 5,625,130.92     | 2022-5-31            | 2022-8-29             |  |
| Chenming (Hong Kong) Co., Ltd.            | 8,513,110.77     | 2022-5-31            | 2022-8-29             |  |
| Chenming (Hong Kong) Co., Ltd.            | 5,887,724.91     | 2022-5-31            | 2022-8-29             |  |
| Chenming (Hong Kong) Co., Ltd.            | 19,702,993.69    | 2022-6-10            | 2022-7-29             |  |
| Chenming (Hong Kong) Co., Ltd.            | 24,598,900.86    | 2022-6-13            | 2022-8-5              |  |
| Chenming (Hong Kong) Co., Ltd.            | 5,699,846.92     | 2022-6-6             | 2022-9-6              |  |
| Chenming (Hong Kong) Co., Ltd.            | 8,685,381.80     | 2022-6-6             | 2022-9-6              |  |
| Chenming (Hong Kong) Co., Ltd.            | 9,807,185.20     | 2022-6-8             | 2022-9-6              |  |
| Wuhan Chenming Hanyang Paper Co., Ltd.    | 30,000,000.00    | 2021/12/17           | 2022/10/16            |  |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 200,000,000.00   | 2021-8-30            | 2022-8-25             |  |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 300,000,000.00   | 2021-12-23           | 2022/12/22            |  |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 30,000,000.00    | 2021/7/19            | 2022/7/18             |  |
| Chenming Pulp & Paper Co., Ltd.           | 45,000,000.00    | 2021/8/9             | 2022/8/8              |  |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 90,000,000.00    | 2022-5-19            | 2023-5-18             |  |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 20,000,000.00    | 2022-4-22            | 2023-4-21             | No No No No No No No No No No            |

## Section 10 Financial Report

## XII. Related parties and related transactions (continued)

## 5. Related transactions (continued)

(2) **Related guarantees (continued)**

[illegible]

Section 10 Financial Report

XII. Related parties and related transactions (continued)

5. Related transactions (continued)

(2) Related guarantees (continued)

| guaranteed party  | Guarantee Amount | Guarantee Start Date | Guarantee Expiry Date | Whether the<br>guarantee has been fulfilled |
|---|------------------|----------------------|-----------------------|---|
| Shouguang Meilun Paper Co., Ltd. Shouguang  | 162,136,733.49   | 2022-6-16            | 2022-12-13            | No  |
| Meilun Paper Co., Ltd. Shouguang Meilun   | 285,000,000.00   | 2022-1-29            | 2022-7-28             | No  |
| Paper Co., Ltd. Shouguang Meilun Paper Co.,   | 100,000,000.00   | 2021-10-12           | 2022-10-11            | No  |
| Ltd. Zhanjiang Chenming Pulp & Paper Co.,   | 30,000,000.00    | 2021-8-31            | 2022-8-31             | No  |
| Ltd. Zhanjiang Chenming Pulp &  | 100,000,000.00   | 2021-7-13            | 2022-7-12             | No  |
| Paper Co., Ltd. Zhanjiang Chenming  | 49,500,000.00    | 2021-8-12            | 2022-8-8              | No  |
| Pulp & Paper Co., Ltd. Zhanjiang  | 67,000,000.00    | 2021-9-15            | 2022-9-14             | No  |
| Chenming Pulp & Paper Co., Ltd.   | 50,000,000.00    | 2021-9-26            | 2022-9-25             | No  |
| Zhanjiang Chenming Pulp & Paper   | 60,000,000.00    | 2021-10-18           | 2022-10-17            | No  |
| Co., Ltd. Zhanjiang Chenming Pulp &   | 60,000,000.00    | 2021-11-12           | 2022-11-11            | No  |
| Paper Co., Ltd. Zhanjiang Chenming  | 90,000,000.00    | 2021-11-16           | 2022-11-15            | No  |
| Pulp & Paper Co., Ltd. Zhanjiang  | 60,000,000.00    | 2021-11-17           | 2022-11-16            | No  |
| Chenming Pulp & Paper Co., Ltd.   | 90,000,000.00    | 2021-11-23           | 2022-11-22            | No  |
| Zhanjiang Chenming Pulp & Paper   | 30,000,000.00    | 2021-11-24           | 2022-11-23            | No  |
| Co., Ltd. Zhanjiang Chenming Pulp &   | 100,000,000.00   | 2021-12-15           | 2022-12-14            | No  |
| Paper Co., Ltd. Zhanjiang Chenming  | 9,000,000.00     | 2021-12-20           | 2022-12-19            | No  |
| Pulp & Paper Co., Ltd. Zhanjiang  | 81,200,000.00    | 2021-12-22           | 2022-7-17             | No  |
| Chenming Pulp & Paper Co., Ltd.   | 36,912,700.00    | 2021-11-16           | 2022-11-15            | No  |
| Zhanjiang Chenming Pulp & Paper   | 90,000,000.00    | 2022-1-6             | 2022-7-6              | No  |
| Co., Ltd. Zhanjiang Chenming Pulp &   | 89,900,100.00    | 2022-1-6             | 2022-7-6              | No  |
| Paper Co., Ltd. Zhanjiang Chenming  | 80,000,000.00    | 2022-1-13            | 2023-1-12             | No  |
| Pulp & Paper Co., Ltd. Pulp and Paper   | 63,000,000.00    | 2022-1-20            | 2023-1-20             | No  |
| Co., Ltd. Zhanjiang Chenming Pulp   | 125,000,000.00   | 2022-1-21            | 2023-1-20             | No  |
| and Paper Co., Ltd. Zhanjiang   | 50,000,000.00    | 2022-1-26            | 2023-12-22            | No  |
| Chenming Pulp and Paper Co., Ltd.   | 5,000,000.00     | 2022-1-27            | 2023-1-26             | No  |
| Zhanjiang Chenming Pulp and Paper   | 40,000,000.00    | 2022-1-30            | 2023-1-26             | No  |
| Co., Ltd. Zhanjiang Chenming Pulp   | 200,000,000.00   | 2022-2-18            | 2022-8-18             | No  |
| and Paper Co., Ltd. Zhanjiang   | 200,000,000.00   | 2022-2-15            | 2023-2-14             | No  |
| Chenming Pulp and Paper Co., Ltd.   | 70,000,000.00    | 2022-2-22            | 2023-2-21             | No  |
| Zhanjiang Chenming Pulp and Paper   | 20,000,000.00    | 2022-3-3             | 2023-3-2              | No  |
| Co., Ltd. Zhanjiang Chenming Pulp &   | 30,000,000.00    | 2022-3-22            | 2023-3-10             | No  |
| Paper Co., Ltd. Zhanjiang Chenming  | 50,000,000.00    | 2022-3-16            | 2023-3-15             | No  |
| Pulp & Paper Co., Ltd. Zhanjiang  | 50,000,000.00    | 2022-3-7             | 2023-3-2              | No  |
| Chenming Pulp & Paper Co., Ltd.   | 26,845,600.00    | 2022-3-21            | 2023-3-3              | No  |
| Zhanjiang Chenming Pulp & Paper   | 100,000,000.00   | 2022-4-8             | 2022-10-7             | No  |
| Co., Ltd. Zhanjiang Chenming Pulp &   | 20,000,000.00    | 2022-4-21            | 2023-4-11             | No  |
| Paper Co., Ltd. Zhanjiang Chenming  | 43,000,000.00    | 2022-4-27            | 2023-4-21             | No  |
| Pulp & Paper Co., Ltd. Zhanjiang  | 50,000,000.00    | 2022-5-7             | 2023-4-28             | No  |
| Chenming Pulp & Paper Co., Ltd.   | 26,000,000.00    | 2022-5-13            | 2023-5-10             | No  |
| Zhanjiang Chenming Pulp & Paper   | 80,000,000.00    | 2022-5-13            | 2022-11-18            | No  |
| Co., Ltd. Zhanjiang Chenming Pulp &   | 167,000,000.00   | 2022-5-12            | 2023-5-12             | No  |
| Paper Co., Ltd. Zhanjiang Chenming  | 100,000,000.00   | 2022-5-31            | 2024-5-30             | No  |
| Pulp & Paper Co., Ltd. Zhanjiang  | 47,000,000.00    | 2022-6-22            | 2022-12-16            | No  |
| Chenming Pulp & Paper Co., Ltd. Zhanjiang Chenming Pulp & Paper Co., Ltd. Company Zhanjiang | 70,000,000.00    | 2022-6-24            | 2023-6-23             | No No                                       |

## Section 10 Financial Report

## XII. Related parties and related transactions (continued)

## 5. Related transactions (continued)

**(2) Related guarantees (continued)**

[illegible]

(3) **Borrowing of funds from related parties**

unit: yuan

| Related party                    | Loan Amount    | Starting Date | expiry date | illustrate             |
|----------------------------------|----------------|---------------|-------------|------------------------|
| Split                            |                |               |             |                        |
| into Chenming Holdings Co., Ltd. | 155,000,000.00 | 2022-1-6      | 2022-4-26   | Controlling            |
| Nanyue Bank Co., Ltd.            | 425,000,000.00 | 2022-1-20     | 2023-1-20   | shareholder associates |

Section 10 Financial Report

XII. Related parties and related transactions (continued)

6. Receivables and payables of related parties

(1) Items receivable

unit: yuan

| project name        | Related party   | Closing      |                       | Opening       |               |
|---------------------|---|--------------|-----------------------|---------------|---------------|
|                     |   | balance      | Book balance          | balance       | Book balance  |
| Accounts receivable | Shouguang Chenming Huisen New Building Materials Co., Ltd.    | 2,047,252.00 | Shouguang             | 14,330.76     |               |
| Accounts receivable | Meite Environmental Protection Technology Co., Ltd.           | 5,001,962.56 | Jiangxi Chenming Port | 35,013.74     |               |
| Accounts receivable | Co., Ltd.   | 109,385.42   | 69,747,294.59         | 19,025,633.68 | 5,370,726.99  |
| Other receivables   | Weifang Sime Darby Westport Co., Ltd.                         |              | Other                 | 3,785,041.96  | 80,667,961.32 |
| Other receivables   | Shouguang Meite Environmental Protection Technology Co., Ltd. |              | Accounts              | 1,803,768.91  | 22,740,159.32 |
| Advance payments    | Shouguang Meite Environmental Protection Technology Co., Ltd. |              |                       |               |               |

(2) Payable items

unit: yuan

| project name         | Related party                                      | Book balance at the end of the period |              | Book balance at the beginning of the period |              |
|----------------------|--|---------------------------------------|--------------|---|--------------|
|                      |  | balance                               | Book balance | balance                                     | Book balance |
| Accounts payable     | Weifang Xingxing United Chemical Co., Ltd.         | 26,905,494.34                         |              | 26,905,494.34                               |              |
| Other payables       | Co., Ltd. Weifang Sime Darby West                  | 11,378,405.32                         |              | 7,609,782.51                                |              |
| Accounts payable     | Port Co., Ltd. Jiangxi Chenming Port Co., Ltd.     | 2,324,708.87                          |              |   |              |
| Other payables       | Anhui Times Materials Co., Ltd. Lide               | 1,570.10                              |              | 1,570.10                                    |              |
| Contract liabilities | Technology Co., Ltd.                               | 508,619.46                            |              | 508,619.46                                  |              |
| Other payables       | Chenming (Qingdao) Asset Management Co., Ltd.      | 116,656.55                            |              | 115,633.42                                  |              |
| Advance receipts     | Ltd. Chenming (Qingdao) Asset Management Co., Ltd. |                                       |              | 49,539.63                                   |              |

Section 10 Financial Report

13. Share payment

1. Overall situation of share-based payment

|   |                         |
|---|-------------------------|
| √ Applicable √ Not applicable   |                         |
|   | unit: yuan              |
|   | 0.00                    |
| The total amount of various equity instruments exercised by the company in the current period The total amount of various equity instruments expired by the company | 24,176,200.00 See       |
| in the current period The scope of the exercise price of stock options issued by the company at the end of the period and the remaining period of the contract      | description for details |

Other notes: On May 29, 2020, the tenth interim meeting of the ninth session of the board of directors and the fifth interim meeting of the ninth session of the board of supervisors of the company reviewed and approved the "Adjustment of the company's 2020 A-share restricted stock incentive plan related matters" Proposal", "Proposal on Granting Restricted Stocks to Incentive Objects". 79.6 million restricted shares were granted, the grant date is May 29, 2020, and the fair value of the restricted stocks is the ex-rights price of the stock on the grant date. The granting of this incentive plan is restricted to "one-time grant, unlocked in installments", from the first trading day after 24 months from the date of completion of the registration of restricted stock grant to 36 months from the date of completion of registration of restricted stock grant As of the last trading day, 40% will be unlocked; from the first trading day 36 months after the completion of the registration of the restricted stock grant to the last trading day within 48 months of the completion of the registration of the restricted stock grant On the same day, 30% will be unlocked; from the first trading day 48 months after the completion of the restricted stock grant registration to the last trading day within 60 months from the completion of the restricted stock grant registration, the unlocked 30%. At the same time, in the three fiscal years from 2021 to 2023, the performance appraisal will be carried out on an annual basis and the sales restrictions will be lifted, and the appraisal will be conducted once in each fiscal year (see the company announcement for specific performance appraisal conditions). The company estimates that the performance indicators for 2022 will not be completed, corresponding to the fact that the second batch of 30% equity cannot be unlocked, and at the same time, due to reasons such as the resignation of some executives, a total of 27,006,200 shares will be invalidated.

2. Equity-settled share-based payment

|  |   |
|--|---|
| √ Applicable √ Not applicable  |   |
|  | unit: yuan  |
|  |   |
| Determination method of fair value of equity instruments on the date of grant The determination of the number of exercisable equity instruments is based on the significant difference between the current estimate and the previous estimate. Equity-settled share-based payments are included in the cumulative amount of capital reserves. Total Confirmed Fees | For the ex-rights price of the stock on the date of grant, please refer to the explanation for details<br>78,193,784.34 -6,850,012.78 |



Section 10 Financial Report

14. Commitments and contingencies

1. Important commitments

|   |                |                 |            |
|---|----------------|-----------------|------------|
| Significant commitments at the balance sheet date                                 |                |                 | unit: yuan |
| Capital commitments contracted but not yet recognized in the financial statements | Ending balance | Opening Balance |            |
| Commitment to purchase and build long-term assets                                 | 285,099,655.45 | 181,254,971.61  |            |

2. Contingencies

- (1) Important contingencies existing on the balance sheet date
- There are no important contingencies in the company on the balance sheet date.
- (2) The company has no important contingencies that need to be disclosed, and it should also be explained
- The company has no important contingencies that need to be disclosed.

15. Events after the balance sheet date

As of June 30, 2022, the company has no other post-balance sheet events that should be disclosed.

16. Other important matters

1. Branch information

- (1) Determination Basis and Accounting Policy of Reporting Segment
- According to the company's internal organizational structure, management requirements and internal reporting system, the company's business operations are divided into four reporting segments. These reporting segments are determined based on the financial information required by the company's daily internal management. The Group's management regularly evaluates the operating results of these reportable segments to determine resource allocation and evaluate their performance.
- The reportable segments of the Company include:
- (1) Machine-made paper and pulp segment, which produces and sells machine-made paper and pulp;
- (2) The financial services segment provides financial services;
- (3) Hotel and property rental segment, property rental;
- (4) Other segments, other businesses other than the above segments.
- Segment reporting information is disclosed according to the accounting policies and measurement standards adopted by each segment when reporting to the management. These accounting policies and measurement bases are consistent with the accounting policies and measurement bases when preparing financial statements.

Section 10 Financial Report

XVI. Other important matters (continued)

1. Segment information (continued)

(2) Financial information of reporting segments

unit: yuan

| current period or the end of the current period                 | Machine-made paper and pulp | Financial Services | Hotel and Property Rentals | other             | offset            | total             |               |              |
|---|-----------------------------|--------------------|----------------------------|-------------------|-------------------|-------------------|---------------|--------------|
| Operating income 33,293,149,611.73 including: external          | 313,686,272.81              | 236,294,775.54     | 2,283,741,250.50           | 19,450,443,544.75 | 16,676,428,365.83 | 16,676,428,365.83 |               |              |
| transaction income 16,091,824,702.93 inter-segment              | 125,629,976.14              | 108,076,112.11     | 350,897,574.65             |                   |                   |                   |               |              |
| transaction income 17,201,324,908.80 including: main            | 188,056,296.67              | 128,218,663.43     | 1,932,843,675.85           | 19,450,443,544.75 | 1,020,944,232.40  |                   |               |              |
| business income 32,655,617,824.79 operating cost                | 313,686,272.81              | 125,577,301.79     | 17,945,290,072.55          | 16,170,535,559.24 | 701,400,250.00    | 18,930,139,274.00 |               |              |
| 32,033,269,370.91 including: main business cost 31,805,1        | 133,101,515.13              | 117,317,417.16     | 14,054,949,279.20          | 542,878,138.76    | 18,944,714,891.54 | 13,622,445,474.80 |               |              |
| 02,552.96 Operating expenses 224,701,509.79 Including:          | 133,101,515.13              | 86,078,159.49      | 3,838,184.36               | 102,055,830.00    | 138,055,763.65    | 1,396,703.06      | 72,692,606.41 |              |
| Salary 68,341,155.74 Depreciation expenses 3,658,064.86         | 1,147,736.39                | 10,424,163.11      | 8,542.33                   | 5,541,590.42      | 1,108,123.52      | 8,535,839.64      | 6,883,405.06  | 2,478,458.25 |
| Office expenses 1,105,011.63 Travel expenses 8,263,434.15       | 594,088.97                  | 2,360,658.64       | 22,786,567.81              | 503,789.82        | 17,525,382.72     | 284,490,537.69    |               |              |
| Sales commissions 3,043,011.69 Lease fee 2,433,614.84           | 20,589.15                   | 1,854,394.08       |                            |                   |                   |                   |               |              |
| Hospitality fee 22,109,421.79 Storage fee 297,908.54 Others     |                             | 3,111.89           |                            |                   |                   |                   |               |              |
| 115,449,886.55 Operating profit/(loss) 393,913,359.61 Total     | 133,127.96                  |                    | 139,277.53                 |                   |                   |                   |               |              |
| cost of construction in progress incurred in the current period |                             | 3,521,573.18       | 318,820.19                 |                   |                   |                   |               |              |
| 618,300,337.33 Fixed assets purchased in the current period     |                             |                    | 44,843.41                  |                   |                   |                   |               |              |
| 196,803.3 55.58 Intangible assets purchased in the current      | 399,930.31                  | 18,718.00          | 427,535.26                 |                   | 169,037.55        |                   |               |              |
| period  |                             |                    | 205,881.28                 |                   |                   |                   |               |              |
|   |                             | 2,665,707.32       | 1,296,581.30               |                   | 101,886,792.45    |                   |               |              |
|   | 120,593,852.35              | 6,604,072.62       | 16,318,802.39              |                   | 252,939,549.28    |                   |               |              |
|   |                             |                    | 20,617.48                  |                   |                   | 618,320,954.81    |               |              |
|   | 711,110.44                  | 410,171.64         | 1,723,902.65               |                   |                   | 199,648,540.31    |               |              |
|   |                             |                    | 305,955,525.74             |                   |                   | 305,955,525.74    |               |              |
| total assets  | 131,047,372,405.39          | 21,036,519,263.19  | 8,008,176,271.16           | 7,256,995,196.55  | 82,162,482,091.05 | 85,186,581,045.24 |               |              |
| total liabilities   | 86,963,296,560.71           | 8,872,476,560.12   | 3,728,407,230.32           | 2,036,422,737.56  | 39,505,812,018.10 | 62,094,791,070.61 |               |              |

Basis of accounting: Transfer prices between company segments are based on market prices.

Section 10 Financial Report

XVII. Notes to the main items of the financial statements of the parent company

1. Accounts receivable

(1) Classification disclosure of accounts receivable

unit: yuan

| category  | Book balance     |            |              | Proportion                             |                  | Book balance   |            |               | Proportion of                            |                |
|---|------------------|------------|--------------|--|------------------|----------------|------------|---------------|--|----------------|
|   | amount           | Proportion | of provision | for bad debts at the end of the period | Book value       | amount         | Proportion | provision for | bad debts at the beginning of the period | Book value     |
| Accounts receivable with provision for bad debts on an individual                                     |                  |            |              |  |                  |                |            |               |  |                |
| basic Accounts receivable with provision for bad debts on a combined basis 1,219,841,113.33 of which: |                  | 100.00%    | 4,911,757.18 | 0.40%                                  | 1,214,929,356.15 | 146,213,282.74 | 100.00%    | 4,612,037.23  | 3.15%                                    | 141,601,245.51 |
| Receivables   |                  |            |              |  |                  |                |            |               |  |                |
| from related party customers  | 1,156,918,862.10 | 94.84%     |              |  | 1,156,918,862.10 | 126,108,166.75 | 86.25%     |               |  | 126,108,166.75 |
| Receivables from non-related party customers  | 62,922,251.23    | 5.16%      | 4,911,757.18 | 7.81%                                  | 58,010,494.05    | 20,105,115.99  | 13.75%     | 4,612,037.23  | 22.94%                                   | 15,493,078.76  |
|   |                  |            |              |  |                  |                |            |               |  |                |
| total   | 1,219,841,113.33 | 100.00%    | 4,911,757.18 | 0.40%                                  | 1,214,929,356.15 | 146,213,282.74 | 100.00%    | 4,612,037.23  | 3.15%                                    | 141,601,245.51 |

Section 10 Financial Report

XVII. Notes to main items in the financial statements of the parent company (continued)

1. Accounts receivable (continued)

(1) Classification disclosure of accounts receivable (continued)

Provision for bad debts by combination:

Accounts receivable for which provision for bad debts is made based on the combination of receivable related parties

unit: yuan

| name          | Book balance     | Ending balance     | Accrual ratio |
|---------------|------------------|--------------------|---------------|
|               |                  | bad debt provision |               |
| within 1 year | 1,156,918,862.10 |                    |               |
| total         | 1,156,918,862.10 |                    |               |

Accounts receivable for which bad debt provision is withdrawn based on the combination of receivables from non-related parties

unit: yuan

| name              | Book balance  | Ending balance     | Accrual ratio |
|-------------------|---------------|--------------------|---------------|
|                   |               | bad debt provision |               |
| Within 1 year     | 58,419,430.06 | 408,936.01         | 0.70%         |
| 1 to 2 years      |               |                    |               |
| 2 to 3 years      |               |                    |               |
| More than 3 years | 4,502,821.17  | 4,502,821.17       | 100.00%       |
| total             | 62,922,251.23 | 4,911,757.18       | 7.81%         |

Disclosure by age

unit: yuan

| aging                            | Ending balance   |
|----------------------------------|------------------|
| Within 1 year (including 1 year) | 1,215,338,292.16 |
| 1 to 2 years                     |                  |
| 2 to 3 years                     |                  |
| Subtotal bad                     | 4,502,821.17     |
| debt                             | 1,219,841,113.33 |
| provision over 3 years           | 4,911,757.18     |
| total                            | 1,214,929,356.15 |

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XVII. Notes to main items in the financial statements of the parent company (continued)

1. Accounts receivable (continued)

(2) Provision for bad debts accrued, recovered or reversed in the current period

Provision for bad debts in this period:

unit: yuan

| category                                       | Opening Balance | Withdrawal or reversal of                 |              | Other ending balances |
|--|-----------------|---|--------------|-----------------------|
|  |                 | the variable amount in the current period | write off    |                       |
| Provision for bad debts of accounts receivable | 4,612,037.23    | 2,047,859.77                              | 1,748,139.82 | 4,911,757.18          |
| total  | 4,612,037.23    | 2,047,859.77                              | 1,748,139.82 | 4,911,757.18          |

(3) Accounts receivable of the top five ending balances collected by debtors

The total amount of the top five accounts receivable at the end of the period collected by the arrears is 1,219,357,493.76 yuan, accounting for 99.96% of the total balance of accounts receivable at the end of the period, and the corresponding provision for bad debts is 4,828,712.22 yuan.

unit: yuan

| company name       | Proportion to the total closing        |                                |  |
|--------------------|--|--------------------------------|--|
|                    | Closing balance of accounts receivable | balance of accounts receivable | Closing balance of provision for bad debts |
| customer one       | 960,997,446.28                         | 78.78%                         |  |
| customer two       | 190,921,415.82                         | 15.65%                         |  |
| customer           | 58,016,031.66                          | 4.76%                          | 406,112.22                                 |
| three customer     | 5,000,000.00                           | 0.41%                          |  |
| four customer five | 4,422,600.00                           | 0.36%                          | 4,422,600.00                               |
| total              | 1,219,357,493.76                       | 99.96%                         | 4,828,712.22                               |

Section 10 Financial Report

XVII. Notes to main items in the financial statements of the parent company (continued)

2. Other receivables

unit: yuan

| project                      | Ending balance   | Opening Balance  |
|------------------------------|------------------|------------------|
| Interest receivable          |                  |                  |
| Dividend                     |                  | 126,325,018.50   |
| receivable Other receivables | 8,021,857,221.76 | 8,773,854,244.04 |
| total                        | 8,021,857,221.76 | 8,900,179,262.54 |

(1) Dividends receivable

1) Dividend Receivable Classification

unit: yuan

| Project (or invested unit)                 | Ending balance | Opening Balance |
|--|----------------|-----------------|
| Jiangxi Chenming Paper Co., Ltd. Zhanjiang |                | 72,896,218.50   |
| Chenming Pulp & Paper Co., Ltd.            |                | 53,428,800.00   |
| total                                      |                | 126,325,018.50  |

(2) Other receivables

1) Classification of other receivables according to the nature of the receivables

unit: yuan

| Nature of payment             | Closing book balance | Opening book balance |
|-------------------------------|----------------------|----------------------|
| Current                       | 8,100,301,136.29     | 8,849,264,265.13     |
| account                       | 1,467,526.34         | 6,103,279.46         |
| security deposit reserve fund | 8,738,534.42         | 11,961,652.43        |
| and borrowing others          | 5,487,933.49         |                      |
| total                         | 8,115,995,130.54     | 8,867,569,197.02     |

Section 10 Financial Report

XVII. Notes to main items in the financial statements of the parent company (continued)

2. Other receivables (continued)

(2) Other receivables (continued)

2) Provision for bad debts

unit: yuan

|  | The first stage                              | Expected credit losses throughout the duration of the | Expected credit losses throughout the duration of the third stage (credit impairment has occurred) | total                        |
|--|--|---|--|------------------------------|
| Bad debt provision   | Expected credit losses in the next 12 months | second stage (no credit impairment occurred)          | third stage (credit impairment has occurred)   |                              |
| The balance on January 1, 2022 The balance on January 1, 2022 is in the current period - transferred to the second stage - transferred to the third stage - transferred back to the second stage - transferred back to the first stage | 41,288,305.23                                |   | 52,426,647.75  | 93,714,952.98                |
| Accrued in the current period and transferred back to the principal in the current period Write-off in the current period Write-off of other changes in the current period   | 3,791,649.01                                 |   | 4,214,604.81   | 4,214,604.81<br>3,791,649.01 |
| June 30, 2022 balance  | 37,496,656.22                                |   | 56,641,252.56  | 94,137,908.78                |
| Changes in the book balance of loss provisions with significant changes in the current period  |  |   |  |                              |
| Applicable Not applicable  |  |   |  |                              |
| Disclosure by age  |  |   |  |                              |
|  |  |   |  | unit: yuan                   |
| aging  |  |   |  | Ending balance               |
| Within 1 year (including 1 year)   |  |   | 8,016,966,084.12   |                              |
| 1 to 2 years   |  |   | 6,278,479.37   |                              |
| 2 to 3 years   |  |   | 10,499,017.28  |                              |
| More than 3 years  |  |   | 82,251,549.77  |                              |
| total  |  |   | 8,115,995,130.54   |                              |

Section 10 Financial Report

XVII. Notes to main items in the financial statements of the parent company (continued)

2. Other receivables (continued)

(2) Other receivables (continued)

3) Provision for bad debts accrued, recovered or reversed in the current period

Provision for bad debts in this period:

unit: yuan

| category                                     | Opening Balance | Provision    | Changes in the current           |           | other | Ending balance |
|--|-----------------|--------------|----------------------------------|-----------|-------|----------------|
|  |                 |              | period are recovered or reversed | write off |       |                |
| Provision for bad debts of other receivables | 93,714,952.98   | 4,214,604.81 | 3,791,649.01                     |           |       | 94,137,908.78  |
| total  | 93,714,952.98   | 4,214,604.81 | 3,791,649.01                     |           |       | 94,137,908.78  |

4) Other receivables of the top five ending balances collected by debtors

The total amount of the top five other receivables at the end of the period collected by the owner is 5,329,828,506.01 yuan, accounting for 65.67% of the total balance of other receivables at the end of the period, and the corresponding provision for bad debts is 0.00 yuan.

unit: yuan

| company name       | nature of payment | Closing balance aging            | Proportion to                | Closing balance of      |
|--------------------|-------------------|----------------------------------|------------------------------|-------------------------|
|                    |                   |                                  | the total ending             |                         |
|                    |                   |                                  | balance of other receivables | provision for bad debts |
| customer one       | Current           | 2,005,200,000.00 Within one year | 24.71%                       | 0.00                    |
| customer two       | money             | 1,223,803,000.00 Within one year | 15.08%                       | 0.00                    |
| customer           | Current           | 865,510,075.00 Within one year   | 10.66%                       | 0.00                    |
| three customer     | money             | 857,550,893.00 Within one year   | 10.57%                       | 0.00                    |
| four customer five | Current money     | 377,764,538.01 Within one year   | 4.65%                        | 0.00                    |
| total              |                   | 5,329,828,506.01                 | 65.67%                       | 0.00                    |

3. Long-term equity investment

unit: yuan

| project                                    | Book balance      | Provision for impairment            |                                 | Book balance      | Book balance      | Book value        |
|--|-------------------|-------------------------------------|---------------------------------|-------------------|-------------------|-------------------|
|  |                   | of balance at the end of the period | impairment of operating balance |                   |                   |                   |
| Investing in subsidiaries                  | 18,508,056,896.52 |                                     |                                 | 18,508,056,896.52 | 18,480,556,896.52 | 18,480,556,896.52 |
| Investing in associates and joint ventures | 324,189,775.31    | 5,994,545.96                        |                                 | 331,467,464.62    | 5,994,545.96      | 325,472,918.66    |
| total                                      | 18,832,246,671.83 | 5,994,545.96                        |                                 | 18,812,024,361.14 | 5,994,545.96      | 18,806,029,815.18 |



Section 10 Financial Report

XVII. Notes to main items in the financial statements of the parent company (continued)

3. Long-term equity investment (continued)

(1) Investment in subsidiaries

unit: yuan

| Invested unit  | Changes in current period       |                       |                     |                                   | Ending<br>balance (book value) | Closing balance of<br>provision for impairment |
|--|---------------------------------|-----------------------|---------------------|-----------------------------------|--------------------------------|--|
|  | Opening<br>balance (book value) | Additional investment | Decrease investment | Provision for impairment<br>other |                                |  |
| 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. Huanggang   | 12,000,000.00                   |                       |                     |                                   | 12,000,000.00                  |  |
| Chenming Pulp & Paper Co., Ltd.  | 2,302,000,000.00                |                       |                     |                                   | 2,302,000,000.00               |  |
| Huanggang Chenming Forestry Development Co.,   | 70,000,000.00                   |                       |                     |                                   | 70,000,000.00                  |  |
| Ltd. Jinan Chenming Paper Sales Co., Ltd.  | 100,000,000.00                  |                       |                     |                                   | 100,000,000.00                 |  |
| Wuhan Chenming Hanyang Paper Co., Ltd. Ltd.  | 264,493,210.21                  |                       |                     |                                   | 264,493,210.21                 |  |
| Shandong Yujing Hotel Co., Ltd.  | 80,500,000.00                   |                       |                     |                                   | 80,500,000.00                  |  |
| Zhanjiang Chenming Pulp & Paper  | 5,110,000,000.00                | 27,500,000.00         |                     |                                   | 5,137,500,000.00               |  |
| Co., Ltd. Shouguang Chenming Modern  | 10,000,000.00                   |                       |                     |                                   | 10,000,000.00                  |  |
| Logistics Co., Ltd. Shouguang Chenming   | 113,616,063.80                  |                       |                     |                                   | 113,616,063.80                 |  |
| Art Paper Co., Ltd. Shouguang Meilun Paper   | 4,449,441,979.31                |                       |                     |                                   | 4,449,441,979.31               |  |
| Co., Ltd. Shouguang Shunda Customs   | 1,500,000.00                    |                       |                     |                                   | 1,500,000.00                   |  |
| Broker Co., Ltd. Shandong Chenming Paper   | 762,641,208.20                  |                       |                     |                                   | 762,641,208.20                 |  |
| Sales Ltd. Shouguang Chenming Import &   | 250,000,000.00                  |                       |                     |                                   | 250,000,000.00                 |  |
| Export Trading Co., Ltd. Shouguang   | 2,000,000.00                    |                       |                     |                                   | 2,000,000.00                   |  |
| Chenming Paper Machinery Co., Ltd. Shouguang   | 3,730,000.00                    |                       |                     |                                   | 3,730,000.00                   |  |
| Hongxiang Printing and Packaging Co., Ltd.   | 4,000,000,000.00                |                       |                     |                                   | 4,000,000,000.00               |  |
| Shandong Chenming Group  | 45,000,000.00                   |                       |                     |                                   | 45,000,000.00                  |  |
| Finance Co., Ltd. Chenming Forestry  | 6,407,800.00                    |                       |                     |                                   | 6,407,800.00                   |  |
| Co., Ltd. Chenming Paper USA Co., Ltd. Wellfang Chenming   |                                 |                       |                     |                                   |                                |  |
| New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited                              |                                 |                       |                     |                                   | 632,000,000.00                 |  |
| Partnership) 632,000,000.00 Wellfang Chendu Equity Investment Partnership (Limited Partnership) 255,000,000.00 |                                 |                       |                     |                                   | 255,000,000.00                 |  |
| total  | 18,480,556,896.52               | 27,500,000.00         |                     |                                   | 18,508,056,896.52              |  |

Section 10 Financial Report

XVII. Notes to main items in the financial statements of the parent company (continued)

3. Long-term equity investment (continued)

(2) Investment in associates and joint ventures

unit: yuan

| Investment unit   | Opening              |                       | Investment gains and losses recognized |                         | Changes to increase or decrease |  | Announcement of         |  | Ending               | Closing balance of |
|---|----------------------|-----------------------|--|-------------------------|---------------------------------|--|-------------------------|--|----------------------|--------------------|
|   | balance (book value) | Additional investment | Decrease investment                    | under the equity method | in the current period           | Adjustment of other comprehensive income | Changes to other equity | cash dividends or provision for impairment of profits Others | balance (book value) |                    |
| 1. Joint venture  |                      |                       |  |                         |                                 |  |                         |  |                      |                    |
| Shouguang Chenming Huisen New Building Materials Co., Ltd.  | 6,902,869.87         |                       |  | -215,525.03             |                                 |  | 1,000,000.00            |  | 5,687,344.84         |                    |
| Weifang Sime Darby West Port Co., Ltd.                      | 77,370,998.75        |                       |  | -3,008,474.82           |                                 |  |                         |  | 74,362,523.93        |                    |
| Subtotal  | 84,273,868.62        |                       |  | -3,223,999.85           |                                 |  | 1,000,000.00            |  | 80,049,868.77        |                    |
| 2. Associated   |                      |                       |  |                         |                                 |  |                         |  |                      |                    |
| companies Zhuhai Dechen NEEQ Equity                         |                      |                       |  |                         |                                 |  |                         |  |                      |                    |
| Investment Fund Enterprise                                  | 36,967,896.31        |                       |  | -2,003,052.15           |                                 |  |                         |  | 34,964,844.16        |                    |
| (Limited Partnership) Ningbo Qichen Huamei Equity           |                      |                       |  |                         |                                 |  |                         |  |                      |                    |
| Investment Fund   | 197,297,485.59       |                       |  | -3,217.73               |                                 |  |                         |  | 197,294,267.86       |                    |
| Partnership (Limited Partnership)                           |                      |                       |  |                         |                                 |  |                         |  |                      |                    |
| Chenming (Qingdao)  | 6,933,668.14         |                       |  | -107,419.58             |                                 |  | 940,000.00              |  | 5,886,248.56         |                    |
| Asset Management Co., Ltd. Xuchang Chenming Paper Co., Ltd. |                      |                       |  |                         |                                 |  |                         |  |                      | 5,994,545.96       |
| Subtotal  | 241,199,050.04       |                       |  | -2,113,689.46           |                                 |  | 940,000.00              |  | 238,145,360.58       | 5,994,545.96       |
| total   | 325,472,918.66       |                       |  | -5,337,689.31           |                                 |  | 1,940,000.00            |  | 318,195,229.35       | 5,994,545.96       |

Section 10 Financial Report

XVII. Notes to main items in the financial statements of the parent company (continued)

4. Operating income and operating costs

unit: yuan

| project        | Income incurred in the |                  | Income from      |                  |
|----------------|------------------------|------------------|------------------|------------------|
|                | current period         | cost             | previous period  | cost             |
| Main business  | 3,140,980,202.71       | 2,884,740,920.89 | 4,032,722,509.28 | 2,973,878,062.69 |
| Other business | 605,682,653.79         | 496,489,124.84   | 650,730,956.36   | 537,196,013.25   |
| total          | 3,746,662,856.50       | 3,381,230,045.73 | 4,683,453,465.64 | 3,511,074,075.94 |

Income related information:

unit: yuan

| Contract classification                                 | machine paper making | other          | total            |
|---|----------------------|----------------|------------------|
| Commodity types   | 3,140,980,202.71     | 605,682,653.79 | 3,746,662,856.50 |
| Including:  |                      |                |                  |
| machine-  | 2,740,277,450.49     |                | 2,740,277,450.49 |
| made paper sales  |                      | 364,976,994.36 | 364,976,994.36   |
| materials   |                      | 8,724,715.35   | 8,724,715.35     |
| leasing   | 400,702,752.22       | 231,980,944.08 | 632,683,696.30   |
| Others are classified by operating                      |                      |                |                  |
| region  |                      |                |                  |
| Among them:   | 3,140,980,202.71     | 605,682,653.79 | 3,746,662,856.50 |
| Other countries and regions in                          |                      |                |                  |
| mainland China are classified by the time of            |                      |                |                  |
| commodity   |                      |                |                  |
| transfer Among them: Commodities (transferred           | 3,140,980,202.71     | 596,957,938.44 | 3,737,938,141.15 |
| at a certain point in time) Services (provided within a |                      |                |                  |
| certain period of time) Rental income                   |                      | 8,724,715.35   | 8,724,715.35     |

5. Investment income

unit: yuan

| project  | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Long-term equity investment income calculated by cost                              | 270,000,000.00                        | 2,669,260,273.97                       |
| method Long-term equity investment income calculated by                            | -5,337,689.31                         | -4,587,981.17                          |
| equity method Investment income from disposal of long-term                         | 751,679.56                            |  |
| equity investment Investment income from other non-current financial assets during | 2,800,000.00                          | 15,000,000.00                          |
| the holding period Investment income from derecognition of financial assets        | -30,954,557.50                        |  |
| total  | 237,259,432.75                        | 2,679,672,292.80                       |

Section 10 Financial Report

18. Supplementary Information

1. Current non-recurring profit and loss schedule

☐ Applicable ☐ Not applicable

unit: yuan

| project  | Amount of money            | illustrate |
|--|----------------------------|------------|
| Gains and losses from the disposal of non-current assets (including the written-off part of the provision for asset impairment)  | -3,921,463.03              |            |
| Government grants included in current profits and losses (closely related to the company's normal business operations, Except for government subsidies that comply with national policies and are continuously enjoyed in accordance with a certain standard or quantity)                        | 149,264,611.68 -754,806.87 |            |
| Debt restructuring profits   |                            |            |
| and losses are not included in the effective hedging business related to the company's normal business operations.   |                            |            |
| Gains and losses from changes in fair value arising from holding financial assets held for trading and financial liabilities held for trading, and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial | -62,122,863.58             |            |
| assets are excluded from consumable biological assets measured at fair   | 3,309,448.09               |            |
| value Other non-operating income and expenses other than the above items   | -3,575,720.23              |            |
| less: Influence amount of income   | 24,569,100.79 896,568.64   |            |
| tax Influence amount of minority shareholders' equity (after tax)  |                            |            |
| total  | 56,733,536.63              |            |

Specific circumstances of other profit and loss items that meet the definition of non-recurring profit and loss:

☐ Applicable ☐ Not applicable

The company does not have other specific circumstances of profit and loss items that meet the definition of non-recurring profit and loss.

Explanation on the definition of the non-recurring profit and loss items listed in the "Interpretive Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-recurring Profit and Loss" as recurring profit and loss items

☐ Applicable ☐ Not applicable

Section 10 Financial Report

18. Supplementary information (continued)

2. Return on net assets and earnings per share

| Profit during the reporting period   | Weighted<br>Average Return on Equity | Earnings per                                   |  |
|--|--------------------------------------|--|--|
|  |                                      | share Basic<br>earnings per share (yuan/share) | Diluted<br>earnings per share (yuan/share) |
| Net profit attributable to ordinary shareholders of the company  | 1.02%                                | 0.064  | 0.064                                      |
| Net profit attributable to ordinary shareholders of the company after deducting non-recurring gains and losses | 0.71%                                | 0.044  | 0.044                                      |

Data explanation: When calculating the financial indicators of earnings per share and weighted average return on net assets, the accrued interest of perpetual bonds from January 1, 2022 to June 30, 2022 of RMB 44,481,369.86 will be deducted.

3. Differences in accounting data under domestic and foreign accounting standards

(1) Differences in net profit and net assets in financial reports disclosed in accordance with both international accounting standards and Chinese accounting standards

ÿ Applicable ÿ Not applicable

(2) Differences in net profit and net assets in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

ÿ Applicable ÿ Not applicable

Board of Directors of Shandong Chenming Paper Group Co.,  
Ltd. August 30, 2022



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED\*

