

Anti-Dumping Commission Report No. 588
Non-confidential Attachment 14



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

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

Stock Code: 1812



2020

ANNUAL REPORT

* For identification purposes only

I Important Notice, Table of Contents and Definitions

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

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

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

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

The proposed profit distribution plan of the Company was considered and passed by the Board:

The audited consolidated net profit attributable to equity holders of the Company for 2020 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB1,712,029,078.52. When deducting the interest on Perpetual Bonds of RMB171,776,438.36 for 2020 and the fixed dividend on Preference Shares of RMB214,425,000.00, the distributable profit realised for 2020 amounted to RMB1,325,827,640.16.

In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, based on the total ordinary share capital of 2,984,208,200 shares and the simulated ordinary shares converted from the second and third tranches of the Preference Shares using a conversion ratio of 1 share valued at RMB3.82 as at the end of 2020 of 589,005,236 shares, a cash dividend of RMB1.85 (tax inclusive) per 10 shares will be distributed to ordinary shareholders, a cash dividend of RMB1.85 (tax inclusive) per 10 simulated ordinary shares converted from the Preference Shares will be distributed to holders of the second and third tranches of the Preference Shares. No bonus shares will be issued and there is no increase of share capital from reserves. A cash dividend of RMB552,078,517.00 will be distributed to holders of ordinary shares and a variable cash dividend of RMB108,965,968.66 will be distributed to holders of the second and third tranches of the Preference Shares. In other words, a cash dividend of RMB4.84 (tax inclusive) per Preference Share with a nominal value of RMB100 each will be distributed to holders of the second and third tranches of the Preference Shares. If the total share capital of the Company changes before the date of the equity registration for the implementation of the equity distribution, it is proposed to maintain the same total distribution and adjust the distribution ratio per share accordingly.

I Important Notice, Table of Contents and Definitions

Table of contents

I	Important Notice, Table of Contents and Definitions.....	2
II	Company Profile and Key Financial Indicators	5
III	Chairman's Report	10
IV	Business Overview	12
V	Discussion and Analysis of Operations.....	20
VI	Directors' Report	45
VII	Material Matters	55
VIII	Changes in Share Capital and Shareholders	90
IX	Preference Shares.....	98
X	Directors, Supervisors and Senior Management and Staff.....	102
XI	Corporate Governance.....	114
XII	Corporate Bonds.....	137
XIII	Financial Report	142
XIV	Documents Available for Inspection.....	320

I Important Notice, Table of Contents and Definitions

Definitions

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

I Important Notice, Table of Contents and Definitions

Item		Definition
Changjiang Chenming Equity Investment Fund	means	Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)
Shanghai Herui	means	Shanghai Herui Investment Co., Ltd.
Corporate Bonds	means	17 Chenming Bond 01 and 18 Chenming Bond 01
Preference Shares	means	Chenming You 01, Chenming You 02 and Chenming You 03
Perpetual Bonds	means	17 Lu Chenming MTN001 and 17 Lu Chenming MTN002
the reporting period or the year	means	The period from 1 January 2020 to 31 December 2020
the beginning of the year or the period	means	1 January 2020
the end of the year or the period	means	31 December 2020
the prior year	means	The period from 1 January 2019 to 31 December 2019

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業	Stock code	000488
	晨鳴B		200488
	晨鳴優01		140003
	晨鳴優02		140004
	晨鳴優03		140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		
Registered address	No. 595 Shengcheng Road, Shouguang City, Shandong Province		
Postal code of registered address	262700		
Office address	No.2199 Nongsheng East Road, Shouguang City, Shandong Province		
Postal code of office address	262705		
Website of the Company	http://www.chenmingpaper.com		
Email address	chenmmingpaper@163.com		

II. Contact persons and contact methods

	Secretary to the Board	Hong Kong Company Secretary
Name	Yuan Xikun	Chu Hon Leung
Correspondence Address	No. 2199 Nongsheng East Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong
Telephone	(86)-0536-2158008	+852-21629600
Facsimile	(86)-0536-2158977	+852-25010028
Email address	chenmmingpaper@163.com	liamchu@li-partners.com

III. Information disclosure and places for inspection

Designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and Hong Kong Commercial Daily
Designated websites for the publication of the annual report as approved by CSRC	Domestic: http://www.cinifo.com.cn ; Overseas: http://www.hkex.com.hk
Places for inspection of the Company's annual report	Securities investment department of the Company

IV. Change in registration

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

II Company Profile and Key Financial Indicators

V. Other relevant information

CPAs engaged by the Company

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI. Major accounting data and financial indicators

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

☐ Yes ☒ No

	2020	2019	Increase/decrease for the year as compared to the prior year	2018
Revenue (RMB)	30,736,517,996.90	30,395,434,073.35	1.12%	28,875,756,163.56
Net profit attributable to shareholders of the Company (RMB)	1,712,029,078.52	1,656,566,584.88	3.35%	2,509,828,858.47
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	1,119,103,808.75	702,329,086.29	59.34%	1,953,699,849.75
Net cash flows from operating activities (RMB)	11,259,802,676.28	12,232,707,222.94	-7.95%	14,099,701,887.04
Basic earnings per share (RMB per share)	0.36	0.33	9.09%	0.51
Diluted earnings per share (RMB per share)	0.36	0.33	9.09%	0.51
Rate of return on weighted average net assets	5.84%	5.57%	Increased by 0.27 percentage point	8.51%

	As at the end of 2020	As at the end of 2019	Increase/decrease as at the end of the year compared to the end of the prior year	As at the end of 2018
Total assets (RMB)	91,575,457,828.62	97,958,909,935.15	-6.52%	105,318,734,827.82
Net assets attributable to shareholders of the Company (RMB)	24,276,968,789.00	25,169,743,863.75	-3.55%	25,048,731,454.79

II Company Profile and Key Financial Indicators

Data specification: The net profit attributable to shareholders of the Company does not exclude the effect of the interest payment deferred and accumulated to subsequent periods for Perpetual Bonds under other equity instruments and the effect of the dividends on Preference Shares under other equity instruments that have been considered and approved for distribution. When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on Perpetual Bonds of RMB171,776,438.36, the dividends on Preference Shares of RMB387,101,073.42 declared to be distributed and the cash dividends of RMB116,679,908.80 attributable to the shareholders of restricted shares expected to be unlocked in the future among the dividends distributed during the reporting period are deducted.

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	6,085,376,805.28	7,514,428,960.58	8,473,304,915.35	8,663,407,315.69
Net profit attributable to shareholders of the Company	202,790,856.25	313,535,847.23	560,227,575.14	635,474,799.90
Net profit after extraordinary gains or losses attributable to shareholders of the Company	143,993,251.71	-76,111,135.48	463,336,879.91	587,884,812.61
Net cash flows from operating activities	655,581,522.20	1,671,452,262.48	4,941,816,336.88	3,990,952,554.72

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

☐ Yes ☒ No

II Company Profile and Key Financial Indicators

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

Unit: RMB' 0,000

	2020	2019	For the year ended 31 December				
			2018	2017		2016	
				Before adjustment	After adjustment	Before adjustment	After adjustment
Revenue	3,073,652	3,039,543	2,887,576	2,985,174	2,947,245	2,290,711	2,256,692
Profit before tax	217,227	204,848	320,632	453,648	453,648	258,317	258,317
Tax	26,606	29,518	64,158	77,752	77,752	56,056	62,597
Profit for the current period attributable to shareholders of the Company	171,203	165,657	250,983	376,933	376,933	206,399	199,858
Minority interests	19,418	9,673	5,491	-1,036	-1,036	-4,138	-4,138
Basic earnings per share (RMB/share)	0.36	0.33	0.51	1.13	1.13	0.99	0.95
Rate of return on weighted average net assets (%)	5.84%	5.57%	8.51%	15.80%	15.80%	9.59%	9.23%

Unit: RMB' 0,000

	2020	2019	For the year ended 31 December				
			2018	2017		2016	
				Before adjustment	After adjustment	Before adjustment	After adjustment
Total assets	9,157,546	9,795,891	10,531,873	10,562,510	10,562,510	8,228,535	8,228,535
Total liabilities	6,577,519	7,161,914	7,944,704	7,535,092	7,535,092	5,972,050	5,972,050
Minority interests	152,329	117,003	82,296	249,565	249,565	34,605	34,605
Equity attributable to shareholders of the Company	2,427,697	2,516,974	2,504,873	2,777,853	2,777,853	2,221,881	2,221,881
Net current assets (liabilities)	-1,516,398	-774,633	-1,344,718	-783,090	-783,090	-1,094,182	-1,094,182
Total assets less current liabilities	4,052,922	4,526,014	4,390,405	4,837,646	4,837,646	3,557,671	3,557,671

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

√ Applicable ☐ Not applicable

Unit: RMB

Item	Amount for 2020	Amount for 2019	Amount for 2018	Explanation
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	-51,477,216.37	135,669,108.82	17,149,722.72	
Government grants (except for the government grants closely related to the normal operation of the company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	943,720,129.34	623,277,014.49	535,691,291.26	
Gain arising from investment costs for acquisition of subsidiaries, associates and joint ventures by the corporation being less than its share of fair value of identifiable net assets of the investees on acquisition		364,597,001.77		
Profit or loss from debt restructuring	-14,942,498.74	-55,792,548.82		
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	21,166,216.02	46,445,653.55	61,750,000.00	
Consumable biological assets subsequently measured at fair value	-13,329,852.55	19,752,911.94	-21,464,400.65	
Other non-operating income and expenses other than the above items	8,582,997.62	24,876,982.31	23,291,720.22	
Loss on abnormal work stoppage	-24,567,901.71			
Less: Effect of income tax	120,949,832.54	131,148,729.27	52,960,460.82	
Effect of minority interests (after tax)	155,276,771.30	33,934,072.32	7,328,864.01	
Total	592,925,269.77	954,237,498.59	556,129,008.72	-

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

☐ Applicable ☒ Not applicable

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

III Chairman's Report

Dear shareholders,

I am pleased to present to all shareholders the report of the Company for the financial year ended 31 December 2020. On behalf of the Board, I express my sincere gratitude to all shareholders for their concern and support rendered to the Company.

During the reporting period, in the face of the unexpected COVID-19 and the complicated and ever-changing international trade environment, the Company resolutely implemented the national decision-making and deployment on epidemic prevention and control, actively coordinated the work of epidemic prevention and control, resumed work and production, supported the epidemic areas, and actively fulfilled its social responsibilities, which fully demonstrated the responsibilities and the sense of responsibility of a national paper making enterprise. Under the leadership of the Board and the management of the Company, and the guidance of the policy of “efficient management, structural adjustment, market development and risk control”, the Group focused on the development of its principal activities, i.e. pulp production and paper making, carried forward the spirit of craftsman, concentrated efforts, strengthened its conviction and overcame difficulties to ensure that neither the epidemic prevention and control nor the production and operation were neglected. In the second half of 2020, with the effective control of COVID-19 in China, the recovery of domestic demand, the eradication of foreign waste, a stricter ban on plastics and other favourable policies, the prices of paper products such as white cardboard and the upstream pulp rose steadily, and the paper making industry entered an ascending channel. The prices of the Company's major paper types rose several times, and the advantages of pulp and paper integration stood out. The core competitiveness of the Company was further enhanced. During the year, not only did the Company complete all its tasks, but it also achieved all its goals with flying colours.

I. Results of Operations

In 2020, the Company completed the production of machine-made paper of 5.77 million tonnes and achieved sales of 5.61 million tonnes, representing a year-on-year increase of 15.17% and 6.86%, respectively. The Company achieved revenue of RMB30,737 million, representing a year-on-year increase of 1.12%. Total profit and net profit attributable to equity holders of the Company were RMB2,172 million and RMB1,712 million respectively, up by 6.04% and 3.35% year on year. The Company's total assets amounted to RMB91,575 million.

II. Corporate Governance

During the reporting period, the Company regulated its operation under the requirements of the Companies Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Guidelines of the Shenzhen Stock Exchange for Standardised Operation, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the related regulations of the China Securities Regulatory Commission. The Company kept on improving and optimising its legal person governance structure and regulating its operation in practice. During the reporting period, the Company held 14 board meetings, 8 Supervisory Committee meetings and 8 general meetings. The operation of the “three meetings” was efficient and compliant. The Board and I considered the status of the Company's corporate governance was substantially in compliance with the provisions and requirements of the regulatory documents such as the Code of Corporate Governance for Listed Companies. At the same time, the Board strived to regulate the operation of the Company. The Company improved its corporate governance system in a timely manner and successively amended the Registration Management System for Insiders, External Guarantee Decision System and Securities Investment Management System in accordance with the regulatory requirements to further enhance the standard operation level of corporate governance.

Strict enforcement of relevant internal control systems has promoted a regulated operation and healthy development of the Company, thus protecting the legitimate rights and interests of the investors. The overall status of corporate governance is in compliance with the requirements of the China Securities Regulatory Commission. As the Company's development strives forward, its regulated operation and internal control will continue to improve.

III Chairman's Report

III. Dividend Distribution

The Company has always placed much emphasis on the benefits of and returns to its shareholders. The audited consolidated net profit attributable to equity holders of the Company for 2020 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB1,712,029,078.52. When deducting the interest on Perpetual Bonds of RMB171,776,438.36 and the fixed dividend on Preference Shares of RMB214,425,000.00 for 2020, the distributable profit realised for 2020 amounted to RMB1,325,827,640.16. In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, the proposed profit distribution plan of the Company for 2020 is as follows:

Based on the total ordinary share capital of 2,984,208,200 shares and the second and third tranches of the simulated ordinary shares converted from the Preference Shares using a conversion ratio of 1 share valued at RMB3.82 as at the end of 2020 of 589,005,236 shares, a cash dividend of RMB1.85 (tax inclusive) per 10 shares will be distributed to holders of ordinary shares; a cash dividend of RMB1.85 (tax inclusive) per 10 simulated ordinary shares converted from the Preference Shares will be distributed to holders of the second and third tranches of the Preference Shares. No bonus shares will be issued and there is no increase of share capital from reserves. A cash dividend of RMB552,078,517.00 will be distributed to holders of ordinary shares and a variable cash dividend of RMB108,965,968.66 will be distributed to holders of the second and third tranches of the Preference Shares. In other words, a cash dividend of RMB4.84 (tax inclusive) per Preference Share with a nominal value of RMB100 each will be distributed to holders of the second and third tranches of the Preference Shares. If the total share capital of the Company changes before the date of the equity registration for the implementation of the equity distribution, it is proposed to maintain the same total distribution and adjust the distribution ratio per share accordingly.

IV. Future Development

Success goes to the one who is determined to pursue the long and rough road. As the beginning year of the 14th Five-Year Plan, 2021 will also see opportunities and challenges. This year, the Company will shoulder the responsibility of “revitalising the national paper making industry, persistently deepen and focus on the development of its principal activities; adhere to the general keynote of a green”, low carbon, recycling and sustainable development, regard environmental protection engineering as the “Life Project” of its corporate development, comprehensively implement clean production, energy conservation, emission reduction and resource recycling, fulfil social responsibilities, and realise an all-win situation for economic benefits, social benefits and ecological benefits. Adhering to the theme of scientific development, and concentrating on improving quality and efficiency, the Company will comprehensively enhance its corporate management and operation quality. Adhering to the pulp and paper integrated development strategy, the Company will focus on the construction of Hubei Huanggang production base in central China, form the pattern comprising three production bases with Shouguang in the north, Huanggang in the middle and Zhanjiang in the south, enhance the synergy effect, strive to create a new situation of high-quality corporate development, and consolidate its leading position in the paper making industry, thus forging ahead to become the most competitive paper making enterprise in the world!

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to the support and trust of all investors, customers, business partners of various circles and the general public. I also would like to express our sincere thanks to all Directors, Supervisors, the management and staff members of the Company, who put in a lot of mental and physical hard work in the past year. We are looking forward to working with you, aiming to build a bright future for Chenming Paper and provide good results as returns to our shareholders and society!

Chen Hongguo
Chairman

25 March 2021

IV Business Overview

I. Principal activities of the Company during the Reporting Period

(i) Principal activities of the Company during the reporting period

The Company is a large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, forestry, logistics and construction materials. Its key indicators in respect of business and economic efficiency have been in a leading position in the industry in China for over 20 consecutive years. The Company has been on the Fortune 500 China list for 11 years. The Company focuses on its principal activities, i.e. pulp production and paper making. The machine-made paper business is the major source of revenue and profit of the Company. During the reporting period, there was no significant change in the principal activities of the Company.

1. Business overview

The Company has committed itself to implementing a pulp and paper integration strategy. It takes the lead in laying out the entire industrial chain, with 6 production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places, with an annual pulp and paper production capacity of more than 11 million tonnes. It is the only large-scale pulp and paper integrated company in China that achieves a balance between pulp and paper production. The Company implements an innovation-driven strategy and has introduced world-leading pulp production and paper making technology and equipment. Its product series include high-end offset paper, white paper board, coated paper, light weight coated paper, household paper, electrostatic copy paper and thermal paper, with each major product ranking among the highest in terms of market share in China.

The Company focuses on product and technology research and development, has scientific research institutions including the national enterprise technology centre, the post-doctoral working station, the state certified CNAS pulp and paper testing centre, Shandong Pulp and Paper Making Laboratory as well as the Guangdong Pulp and Paper Production Technology Research Center and has obtained 303 national patents including 25 patents for invention, with 7 products selected as national new products. The Company has obtained 15 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 63 provincial technological innovation projects. The Company has pioneered to obtain the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification among its industry peers.

IV Business Overview

I. Principal activities of the Company during the Reporting Period (*Cont'd*)

(i) Principal activities of the Company during the reporting period (*Cont'd*)

2. Main products



Culture paper

Major brands BIYUNTIAN, CLOUDY MIRROR, and CLOUDY LEOPARD all-wood pulp offset paper; “CLOUDY LION” and “CLOUDY CRANE” offset paper; and “CEDAR” and “GREEN PINE” light weight paper.

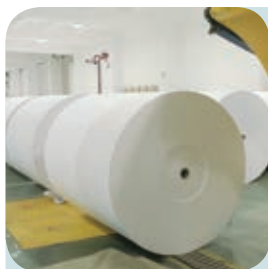
Range of application Printing publications, textbooks, magazines, covers, illustrations, notebooks, test papers, teaching materials, reference books, etc.



Coated paper

Major brands “SNOW SHARK” and “EAGLE” one-sided coated paper; “SNOW SHARK”, “EAGLE”, “RABBIT” and “SNOW SWALLOW” doublesided coated paper, and “EAGLE”, “RABBIT” and “SNOW SWALLOW” matte coated paper.

Range of application High quality printing, such as high-grade picture albums, picture, magazines and so on. Promotional materials such as interior pages of high-end books, wall calendars, posters and so on. Upscale tobacco package paper, adhesive sticker, shopping bags, slipcases, envelopes, gift wrapping and so on.



White cardboard

Major brands White cardboard and ivory cardboard of ZITAN series and POPLAR series, super high bulk cardboard, Chenming cigarette cardboard, fluid inclusion cardboard, and base paper for mugs.

Range of application High-end gift boxes, cosmetics boxes, tags, shopping bags, publicity pamphlets, high-end postcards; cigarette package printing of medium and high quality; milk package, beverage package, disposable paper cups, milk tea cups, and noodle bowls.

IV Business Overview

I. Principal activities of the Company during the Reporting Period (Cont'd)

(i) Principal activities of the Company during the reporting period (Cont'd)

2. Main products (Cont'd)



Light weight coated paper

Major brands Jinzhou high-grade light weight coated paper and refined light weight coated paper

Range of application Printing advertisements, high-end publications, magazine inner pages, and picture albums; suitable for highspeed sheetfed press or high-speed rotary speed press.



Industrial paper

Major brands High-grade yellow antisticking base paper, ordinary yellow/white anti-sticking base paper, bill base paper, cast coated base paper, PE paper, stripping base paper, and white kraft paper

Range of application Anti-stick base paper is mainly used for producing the paper base of stripping paper or anti-sticking base paper. Cast coated base paper is suitable for producing adhesive paper or playcard compound paper after coating.



Electrostatic copy paper

Major brands GOLDEN MINGYANG and GOLDEN CHENMING copy paper, BOYA and BIYUNTIAN copy paper, MINGYANG, LUCKY CLOUDS, BOYANG, and SHANYIN copy paper, and GONGHAO, and TIANJIAN copy paper

Range of application Printing and copying business documents, training materials, and writing.



Household paper

Major brands Toilet paper, facial tissue, pocket tissue, napkin, paper towels, "XINGZHILIAN", "FOREST LOVE", and "BEIYING"

Range of application Daily toilet supplies; used in restaurants and other catering industries, and used in public toilets in hotels, guesthouses, and office buildings, and also suitable for home and other environment.

IV Business Overview

I. Principal activities of the Company during the Reporting Period (*Cont'd*)

(i) Principal activities of the Company during the reporting period (*Cont'd*)

3. Operation model

(1) Purchase model

The Company has established a comprehensive procurement information system, fully realised machine control management, and optimised the authorisation approval process, effectively establishing a standardised procurement management system. Meanwhile, the Company cooperates with financial institutions and third parties in the supply chain financial business to enhance business reputation, establishes synergistic relationships, leverages core enterprise scale advantages, and improves the competitiveness of the supply chain; strengthens source procurement, implements the 80/20 procurement concept, introduces a competitive mechanism, improves supply quality, and reduces procurement costs; actively uses futures tools to optimise raw material pricing, prevents price risks, and realises futures pricing benefits.

(2) Production model

The Company has committed itself to implementing a pulp and paper integration strategy. The Company always adheres to the concept of “placing green development and environmental protection as its priority”. Several supporting projects have been built, for instance, alkali recovery system, middle water treatment system and middle water reuse system. Clean production has been actively promoted, and energy conservation and emission reduction have been carried out vigorously. The Company is building a resource-saving and environmentally friendly model enterprise. It is innovating an integrated use of resources and a circular industrial development mode, and an “ecological chain” featuring resources, products and recycled resources has been established. Its production volume is determined based on the sales, and its production is arranged scientifically. The product mix is being optimised, and its inventories are under strict control. The core competitiveness of the Company is further enhanced thanks to the increased beneficial results brought by the new project that has gone into operation.

(3) Marketing model

The Company has a relatively mature sales network, and has set up specialised sales companies responsible for the development of domestic and overseas markets, product sales, and formulation of sales policies. The sales companies' management systems are divided into product lines, product companies, management areas, and branches to achieve matrix management. The sales companies are divided into product companies of cultural paper series, coated paper series and household paper series according to product line. Each product company has its administrative district. A regional general manager is responsible for his administrative district, under which branch companies are set up. The chief representatives of the branch companies have full authority to deal with branch business.

The Company has implemented a three-level scheduling mechanism. Branch companies, administrative districts, and sales companies schedule task indicators daily to ensure the effective implementation of the plans. Meanwhile, by perfecting its information systems and optimising business procedures, realising IT-based management, the Company is improving its marketing management.

IV Business Overview

I. Principal activities of the Company during the Reporting Period *(Cont'd)*

(i) Principal activities of the Company during the reporting period *(Cont'd)*

3. Operation model *(Cont'd)*

(4) R&D Mode

The Company is market-oriented, and innovation is its driving force. Its investment in R&D and its development of new products have been taken to a higher level to maintain a strong ability in technological innovation. The Company has many scientific research institutions, for instance, the national enterprise technology centre, the post-doctoral working station, the state certified CNAS pulp and paper testing centre, Shandong Pulp and Paper Making Engineering Lab and the Guangdong Pulp and Paper Production Technology Research Centre. The Company also works hard on the following aspects: carrying out academic research with colleges and universities and R&D institutions such as Qilu University of Technology, Qingdao University of Science and Technology, Tianjin University of Science and Technology, and Institute of Chemical Industry of Forest Products of the Chinese Academy of Forestry, building a contingent of high-quality talents with hands-on experience in innovation, accelerating the industrialisation of new and high technologies, optimising product mix and improving the competitiveness of its products in the market.

(ii) The situation of the industry where the Company operated and its position in the industry during the reporting period

The paper making industry is one of the basic industries of the national economy. The paper making industry has the typical characteristics of large-scale industrial production, such as continuous and efficient operation, and significant economies of scale. The paper making industry is also vitally interrelated with people's daily life. Not only is the paper making industry the provider of basic goods and materials, but it also makes a lot of important materials related to packaging, construction, chemical industry, electronics, energy, transportation, national security and other fields. The paper making industry plays an irreplaceable role in the national economy. Affected by the supply-side reform, the development of paper making industry has evolved from an extensive form to an intensive form. The increase in the societal demands, the publishing of environmental protection policies, the continuous advances in technology and the changes in the supply of resources have resulted in an accelerating reduction of the production capacity of low-end products, the increasing concentration ratio of the industry and an improving industrial pattern.

Affected by the outbreak of COVID-19 in 2020, the ever-changing pattern of trade and other factors, the global economy slumped, and the external environment became complicated and difficult. In the face of difficulties, the control and prevention of COVID-19 and every aspect of economic and societal development were carried out efficiently on a national level. All decision-making and deployment were implemented with a determined attitude. The resumption of work and production were progressing steadily. The overall national economy was looking up, and the prices of paper products and the upstream pulp rose steadily. The implementation of the ban on plastics, the ban on importing waste and other policies brought a new scope for development to the paper making industry. Safety, stability and economic efficiency of the supply of raw materials became a new issue in the industry. The major development trend of the paper making industry consisted of the further expansion of the industrial chain of paper making and the integration of pulp and paper.

As a leading player in the paper making industry of China, the Company has implemented the strategy of innovative operation, quickened its pace in growth driver replacement and led the way in full industry chain operation, and has emerged as the only paper making enterprise in China to achieve capacity balance between pulp production and paper making. Currently, the Company has the annual pulp and paper production capacity of over 11 million tonnes, tops the industry in its paper product variety and ranks among the best in China in terms of the market share of its major products. In 2020, the Company was once again listed in Top 500 Enterprises in China with the highest rank among paper making enterprises, which demonstrated the strength in the Company's development as it continued to lead the growth of the industry.

IV Business Overview

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Fixed assets	During the reporting period, the pulping project and biomass power generation project of Huanggang Chenming were reclassified as assets.
Construction in progress	During the reporting period, the pulping project and biomass power generation project of Huanggang Chenming were reclassified as assets.
Financial leasing assets	During the reporting period, the Company continuously reduced the scale of the financial leasing business, with net recovery of RMB3,600 million.

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III. Analysis of Core Competitiveness

As a leading player in the paper making industry and one of the top 500 enterprises in China, after innovation and development for more than 60 years, the Company has created its own brand and nurtured its core competitiveness. By quickening the pace in growth driver replacement and focusing on the main activities of pulp production and paper making, the Company has formed the following advantages:

1. Advantages of pulp and paper integration

The official promulgation of the “ban on importing waste” and the improvement of relevant environmental protection standards have further expanded the supply gap of wood pulp, and put forward new requirements for the safety and stability of the industrial supply chain. The Company has unwaveringly implemented a pulp and paper integration strategy. At present, its major production bases located in Shouguang, Zhanjiang, and Huanggang are equipped with chemical pulp production lines, with total production capacity of wood pulp of over 4.30 million tonnes. It is the only modern large-scale paper making company that basically realises wood pulp self-sufficiency in China. A complete supply chain not only creates cost advantage for the Company, but also safeguards the safety, stability and quality of upstream raw materials, and renders strong support for the Company to maintain its long-term competitiveness.

2. Scale advantages

The paper making industry is a typical capital-intensive and technology-intensive industry that follows the laws of economies of scale. The Company is a leading player in the paper making industry in China. Its large-scale production bases can be found in the major markets in Southern, Central, Northern, and Northeast China, with annual pulp and paper production capacity of over 11 million tonnes, which have obvious economies of scale. Meanwhile, leveraging the self-built international logistics centre and supporting railway dedicated lines and docks, the Company offers comprehensive logistics services such as unitised transportation, bonded warehousing, transfer and storage at stations and terminals. Through building an industrial ecosystem, the Company covers the whole business chain from production to sales and achieved a scientific reduction in costs and distinguished scale merit.

IV Business Overview

III. Analysis of Core Competitiveness (Cont'd)

3. Product advantages

The Company is an enterprise that offers the widest product range in the paper making industry. The product series include high-end offset paper, white paper board, coated paper, lightweight coated paper, household paper, electrostatic copy paper, thermal paper, etc., with each major product ranking among the best in terms of market share, among which the market share of cultural paper ranks first, and the market share of white cardboard and coated paper ranks second. Over the years, the Company has attached great importance to technology research and development, introduced the most advanced pulping and paper making technology and equipment, refined its products and promoted dynamic upgrade of products by persisting in technological innovation and work process optimisation, so as to continuously enhance the value of the brand of Chenming and improve brand benefits.

4. Industry layout advantages

Centring on the pulp and paper integration strategy, the Company has integrated resources and established its production bases in the core target market to achieve coordinated development. Currently, the Company has six production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places. With all products sold at close distances, the Company overcomes the transportation radius restriction. The swift and efficient delivery services drastically reduce production costs and improve market radiating capacity of its products.

5. Advantages in technical equipment

"One cannot make brick without straw." The Company highly values the introduction and upgrades of technical equipment and boasts the largest and most advanced pulping and paper making production line in the world. The Company's major production equipment has been imported from internationally renowned manufacturers, including Metso and Valmet of Finland, Voith of Germany, Andritz of Austria, etc. and reached the advanced international level. For the moment, the Company has three paper machines with a paper width of more than 11 metres, which ensures production efficiency and product quality. While making full use of international resources, the Company combines product characteristics and actual needs to improve technology and technical processes, refine operations, transform and optimise the pulp system's degassing technology, wet end chemical technology, intelligent sheet lateral control technology, coating preparation technology and other technical processes, thereby significantly improving the overall efficiency.

6. Advantages in research and innovation

The Company, Zhanjiang Chenming, Shouguang Meilun, Jiangxi Chenming, Jilin Chenming, Huanggang Chenming and Wuhan Chenming are high and new technology enterprises. Supported by the national enterprise technology centre and the post-doctoral working station, in recent years, the Company has vigorously implemented innovation promotion strategy, actively carried out in-depth industry-university-research cooperation with various prestigious domestic universities and research institutes, put more and more efforts in technical innovation and scientific research and development to develop new products with high technology contents and high added value as well as proprietary technologies. As at the end of the reporting period, the Company has obtained 303 national patents including 25 patents for invention, 7 products selected as national new products, 15 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 63 provincial technological innovation projects.

IV Business Overview

III. Analysis of Core Competitiveness (Cont'd)

7. Team management advantages

With a reasonable and balanced professional structure, the Company has an experienced and stable core management team, including high-end talents specialising in production, technology, sales, finance, laws, etc. In the course of business operations, the stable core team has developed an internal corporate culture that ties in with the Company's development, summarised management experience with industry characteristics, and formed a team advantage combining management and culture. At the same time, the Company has paid attention to the construction of a talent reserve cultivation mechanism. With advanced business concepts and enormous development space, the Company has attracted an array of high-calibre professionals and improved the level of talent pool. During the reporting period, the Company optimised its mid- and long-term incentive mechanism, implemented an equity incentive plan, and granted a total of 79.6 million restricted A-shares to 111 participants, which further stimulated the creativity of the management team.

8. Advantages in environmental governance capacity

The Company has actively upheld the concept of "lucid waters and lush mountains are invaluable assets", adhered to the development idea of "placing green development and environmental protection as its priority", unswervingly followed the path of green development, and always regarded environmental protection as the "life project" to fully implement clean production, energy conservation, emission reduction, and resource recycling, and earnestly shoulder the corporate responsibility of environmental protection. The Company was awarded the honorary title of "2020 Environmental and Social Responsibility Enterprise".

In recent years, the Company and its subsidiaries have constructed the pollution treatment facilities including the alkali recovery system, middle water treatment system, middle water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental indicators of the Company rank high in the country and in the world. At present, the Company adopts the world's most advanced "ultrafiltration membrane+reverse osmosis membrane" technology to complete the reclaimed water recycling membrane treatment project, which is the largest middle water reuse project in the domestic paper industry. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water of 170,000 cubic metres every day.

V Discussion and Analysis of Operations

I. Overview

In 2020, the unexpected COVID-19 epidemic posed unprecedented shock to the global economy and increased the downward pressure of the economy. Under the leadership of the Central Committee of the Communist Party of China, China adhered to the general principle of seeking progress while maintaining stability, carried out epidemic prevention and control and promoted economic development in a coordinated manner. With the continuous implementation of the “six stabilities” and “six guarantees” tasks, the domestic economy embraced steady resuscitation, and China became the only country among the world’s major economies that achieved positive growth. As one of the important basic raw material industries in China, the output and total profit of the paper making and paper product industry exhibited a trend of “turning a negative into a positive, accelerating quarter by quarter”. Reeled from the epidemic in the first quarter during the reporting period, the paper making industry was confronted with problems such as insufficient raw materials, delays in production resumption and return to work, difficulties in logistics and delivery, decline in foreign trade, and insufficient market demand. According to the National Bureau of Statistics, the output of machine-made paper and paper board in China decreased by 12.4% year on year, the total profit of industrial enterprises above designated size in the paper making and paper product industry fell by 5.5% year on year. Since entering the second quarter, with the gradual strengthening of epidemic prevention and control achievements, enterprises resumed work and production in an orderly manner. Thanks to the combined effects of favourable policies such as the “ban on importing waste” and a stricter ban on plastics, market demand gradually picked up, which stimulated a price rise of pulp and machine-made paper and improved prosperity of the paper making industry. The major indicators changed from negative to positive and recorded growth against the overall downtrend. According to the data from the National Bureau of Statistics, from January to December 2020, the national output of machine-made paper and paper board was 127,006,300 tonnes, a record high since the founding of the People’s Republic of China.

The Company seized opportunities during crisis and sought stability in changes. During the reporting period, the Company, as a leading player in the paper making industry in China, took strict control over the epidemic during the critical period of epidemic prevention and control, carried out production resumption and return to work in an orderly manner, and stabilised production and product quality. As the prevention and control of the epidemic bore fruits, market demand increased with a higher pulp price. The Company’s major types of paper saw a price rise. The advantages of the pulp and paper integration became more apparent with further enhanced profitability and successful fulfilment of various mission goals.

In 2020, the Company produced 5.77 million tonnes machine-made paper with sales of 5.61 million tonnes, representing a year-on-year increase of 15.17% and 6.86% respectively. The Company recorded revenue of RMB30,737 million, representing a year-on-year increase of 1.12%. Total profit and net profit attributable to equity holders of the Company amounted to RMB2,172 million and RMB1,712 million respectively, representing a year-on-year increase of 6.04% and 3.35%. The operation and management results for the reporting period were mainly reflected in the following aspects:

(i) Achieving objectives of production capacity and efficiency, strategic optimisation and upgrading

In recent years, the Company continued to focus on the development of the principal business of pulping and paper making. It successively invested in the 500,000-tonne cultural paper renovation project of Shouguang headquarters, the 510,000-tonne high-end cultural paper project of Shouguang Meilun, the 1 million-tonne chemical pulp project of Shouguang Meilun and 600,000-tonne chemical wood pulp project of Huanggang Chenming. The Company’s pulp and paper production capacity reached more than 11 million tonnes, becoming the only pulping and paper making enterprise in China with a balanced pulp and paper production capacity. During the reporting period, as the pulp price continued to rise, the Company’s advantages of low costs became prominent. New projects achieved the objectives of production capacity and efficiency and recorded year-on-year growth of total profit.

V Discussion and Analysis of Operations

I. Overview (Cont'd)

(ii) Satisfying performance brought by innovative sales

In 2020, the COVID-19 epidemic brought a severe impact on sales work. In face of challenges, all sales personnel actively strengthened marketing and promotion, assessed the current situation, seized the opportunity generated by improved market sentiment and continued to increase prices, so as to achieve increases in both production and sales. The sales volume of machine-made paper was 5.61 million tonnes, representing an increase of 360,000 tonnes over last year. Firstly, the Company strengthened channel development and customer management. As a result, the number of contracted customers increased significantly, and the market construction has been steadily improved. Secondly, the Company gave full play to the advantages of the production base layout and increased sales at close distances. Thirdly, the Company improved credit management, increased prepayments and strictly control business risks. Fourthly, the Company insisted on structural adjustments, actively developed new products, increased sales of products with greater profit margin, and strengthened competitive advantages.

(iii) Significant effects of supply chain management

During the reporting period, the management of the supply chain management centre was improved. The centre strove for favourable policies, and the direct procurement from sources was taken to a higher level. The highlights of its unparalleled results are as follows: 1. the amount of funds used was lowered by improving plan management, regulating and sharing materials and selling on consignment. 2. National policies were researched on and strived for. The Company was approved as “The Experimental Unit for the Regulatory Reform of the Processing Trade of Enterprise Groups”. The Company and relevant import and export trade companies were approved to enjoy the tax payment guarantee policies provided by the Finance Company of Chenming, leading to a lower cost of customs clearance and quicker clearance than ever before. 3. The management of suppliers was further improved. The Company explored new sources vigorously. Its cooperation with customers, the stability of the supply of raw materials and the quality of raw materials were taken to a higher level.

(iv) Improving financial management and capital structure

During the reporting period, even though being confronted with harsh economic conditions, the Company improved its financial management steadily. Various measures were adopted to optimise its debt and capital structure, leading to a better financial conditions. 1. By enhancing capital management, lowering the balance of bonds and reducing its debt and lease in a sustained way, the Company withdrew capital with a net value of RMB3,600 million. Risks were under effective control, and financial security was ensured. 2. Promoting setting up a financial information system and a capital management platform, realising a comprehensive improvement of the overall arrangement, standardisation and financial management of the Group’s financial business. 3. The policies benefiting enterprises, the scientific tax planning, improved analysis on the trend of exchange rates and other measures resulted in a lower cost of funds and a better financial position.

V Discussion and Analysis of Operations

I. Overview (Cont'd)

(v) Improving production management and exploring our potentials for a higher efficiency

During the reporting period, the Company's production system adhered to its guiding principles and goals. Its production management was enhanced. Its production was sped up for a high production volume. The Company also explored its potentials for a higher efficiency. The Company produced 5.77 million-tonne machine-made paper in 2020, representing a year-on-year increase of 0.76 million tonnes. 1. The Company carried out standard practice vigorously to ensure that its paper making machines can operate in best conditions, aiming to increase production and efficiency. 2. Upholding the operation philosophy of "pulp and paper integration". Maximising the production of self-produced pulp by increasing the production of paper making machines. 3. Producing products with high added value by adjusting product mix. Optimising the proportion of pulp to other materials to lower production costs. Its volume of production was determined on sales, and its production was arranged scientifically. The Company managed its inventory vigorously. Measures in relation to saving water and reducing pollutants discharges were adopted. The purpose of all of these actions was to explore our potentials and increase efficiency.

(vi) Strict corporate management producing initial success

In 2020, the Company's management centre improved its basic management to conform to a series of requirements, and a certain amount of effect was produced. The details are as follows:

1. Improving and streamlining its institutions and enhancing its implementation. The Group's overall management institution was streamlined to make it simple and easy to use. The Company developed 160 new procedures, and the number of existing procedures was over 1,200. Certain parts of these procedures were monitored by a mechanically controlled early warning system, leading to a higher operational efficiency. The Company obeyed its rules and regulations in a stricter manner. Problems were solved immediately once they were discovered. Weekly examinations and appraisals were conducted on essential works, improving the quality of its works effectively.
2. Improving its incentive mechanism and strengthening its team building. The Company's check-up system was organised comprehensively, and its medium-term and long-term incentive mechanism was improved. The 2020 Restricted A Shares Incentive Plan was implemented. Thus, the participants were motivated effectively. Everyone's enthusiasm was aroused by taking up a job through competition among cadres, appraising through democratic discussion, choosing excellent employees and other activities. The Company improved the quality of its training and trained its own talents by building an online learning platform and an operational classroom and conducting training with special topic.

V Discussion and Analysis of Operations

II. Analysis of principal operations

1. Overview

Please see “I. Overview” under “Discussion and Analysis of Operations” for relevant information.

2. Revenue and cost

(1) Components of revenue

Unit: RMB

	2020		2019		Increase/decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	30,736,517,996.90	100%	30,395,434,073.35	100%	1.12%
By industry					
Machine-made paper	26,799,197,492.54	87.19%	25,911,568,864.47	85.25%	3.43%
Financial leasing	935,121,026.20	3.04%	1,815,459,714.28	5.97%	-48.49%
Construction materials	419,138,839.41	1.36%	311,264,909.38	1.02%	34.66%
Electricity and steam	195,367,954.91	0.64%	143,725,243.14	0.47%	35.93%
Chemicals	144,274,657.39	0.47%	126,550,115.28	0.42%	14.01%
Others	2,243,418,026.45	7.30%	2,086,865,226.80	6.87%	7.50%
By product					
White paper board	7,900,414,595.22	25.70%	6,908,899,578.15	22.73%	14.35%
Duplex press paper	6,880,399,009.21	22.39%	7,728,877,039.07	25.43%	-10.98%
Coated paper	4,134,523,188.76	13.45%	3,779,487,348.44	12.43%	9.39%
Electrostatic paper	4,052,403,877.82	13.18%	3,270,064,358.54	10.76%	23.92%
Anti-sticking raw paper	1,118,932,774.91	3.64%	1,238,578,315.18	4.07%	-9.66%
Household paper	531,378,922.70	1.73%	620,993,038.46	2.04%	-14.43%
Other machine-made paper	2,181,145,123.92	7.10%	2,364,669,186.63	7.78%	-7.76%
Financial leasing	935,121,026.20	3.04%	1,815,459,714.28	5.97%	-48.49%
Construction materials	419,138,839.41	1.36%	311,264,909.38	1.02%	34.66%
Electricity and steam	195,367,954.91	0.64%	143,725,243.14	0.47%	35.93%
Chemicals	144,274,657.39	0.47%	126,550,115.28	0.42%	14.01%
Others	2,243,418,026.45	7.30%	2,086,865,226.80	6.87%	7.50%
By geographical segment					
Mainland China	27,683,360,047.76	90.07%	26,788,134,394.76	88.13%	3.34%
Other countries and regions	3,053,157,949.14	9.93%	3,607,299,678.59	11.87%	-15.36%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

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

√ Applicable ☐ Not applicable

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/decrease of revenue as compared to the corresponding period of the prior year	Increase/decrease of operating costs as compared to the corresponding period of the prior year	Increase/decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made						
paper	26,799,197,492.54	21,227,455,753.49	20.79%	3.43%	3.94%	-0.39%
Financial leasing	935,121,026.20	127,620,095.42	86.35%	-48.49%	6.41%	-7.04%
By product						
White paper board	7,900,414,595.22	5,764,493,788.34	27.04%	14.35%	-4.69%	14.57%
Duplex press paper	6,880,399,009.21	5,658,261,879.44	17.76%	-10.98%	-5.85%	-4.48%
Coated paper	4,134,523,188.76	3,253,634,912.22	21.31%	9.39%	13.16%	-2.62%
Electrostatic paper	4,052,403,877.82	3,196,464,794.41	21.12%	23.92%	32.27%	-4.98%
Anti-sticking raw						
paper	1,118,932,774.91	868,748,128.10	22.36%	-9.66%	-2.21%	-5.91%
Financial leasing	935,121,026.20	127,620,095.42	86.35%	-48.49%	6.41%	-7.04%
By geographical segment						
Mainland China	27,683,360,047.76	21,069,825,079.51	23.89%	3.34%	8.21%	-3.42%
Other countries and regions	3,053,157,949.14	2,575,769,106.70	15.64%	-15.36%	-21.45%	6.54%

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

☐ Applicable √ Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (*Cont'd*)

2. Revenue and cost (*Cont'd*)

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

☒ Yes ☐ No

By industry	Item	Unit	2020	2019	Increase/ decrease
Machine-made paper	Sales	' 0,000 tonnes	561	525	6.86%
	Production output	' 0,000 tonnes	577	501	15.17%
	Inventories	' 0,000 tonnes	40	24	66.67%

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

☒ Applicable ☐ Not applicable

As at the end of 2020, the inventories of machine-made paper increased by 66.67% from 240,000 tonnes as at the end of 2019 to 400,000 tonnes, primarily due to lower sales as compared to production output due to the COVID-19 epidemic during the reporting period.

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

☐ Applicable ☒ Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(5) Composition of operating costs

By industry

Unit: RMB

By industry	Item	2020		2019		Increase/decrease
		Amount	% of operating costs	Amount	% of operating costs	
Machine-made paper	Raw materials	12,830,708,837.34	60.44%	11,895,067,318.85	58.24%	7.87%
	Chemicals	2,571,910,928.88	12.12%	2,919,986,264.98	14.30%	-11.92%
	Energy and power	2,278,028,439.77	10.73%	2,258,151,625.63	11.06%	0.88%
	Shipping fee	1,108,102,345.78	5.22%	968,334,036.25	4.74%	14.43%
	Depreciation	1,024,679,469.64	4.83%	998,944,171.58	4.89%	2.58%
	Labour costs	273,064,171.97	1.29%	302,162,995.36	1.48%	-9.63%
	Other production costs	1,140,961,560.11	5.37%	1,080,852,932.00	5.29%	5.56%
	Subtotal	21,227,455,753.49	100.00%	20,423,499,344.65	100.00%	3.94%
Power and steam	Raw materials	100,417,013.28	76.99%	93,231,639.91	81.42%	7.71%
	Depreciation	11,986,604.72	9.19%	8,188,723.61	7.15%	46.38%
	Labour costs	5,042,260.92	3.87%	3,266,996.70	2.85%	54.34%
	Energy and power	5,424,201.15	4.16%	3,133,240.96	2.74%	73.12%
	Chemicals	197,996.81	0.15%	201,122.01	0.18%	-1.55%
	Other production costs	7,367,419.47	5.65%	6,485,517.59	5.66%	13.60%
	Subtotal	130,435,496.35	100.00%	114,507,240.78	100.00%	13.91%
Construction materials	Raw materials	253,136,606.53	70.56%	186,642,183.80	73.31%	35.63%
	Energy and power	40,584,938.35	11.31%	22,421,006.56	8.81%	81.01%
	Labour costs	22,635,978.10	6.31%	15,055,767.95	5.91%	50.35%
	Depreciation	10,376,987.54	2.89%	7,047,835.66	2.77%	47.24%
	Shipping fee	9,368,706.78	2.61%	2,284,676.48	0.90%	310.07%
	Other production costs	22,626,450.43	6.31%	21,130,132.76	8.30%	7.08%
	Subtotal	358,729,667.72	100.00%	254,581,603.21	100.00%	40.91%

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

√ Yes ☐ No

During the reporting period, the scope of consolidation had 8 newly established subsidiaries, namely Chenming (Overseas) Co., Ltd., Chenming (Singapore) Co., Ltd., Qingdao Chenming Import and Export Trade Co., Ltd., Hainan Chenming Technology Co., Ltd., Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership), Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd., Shandong Dingkun Asset Management Partnership (Limited Partnership) and Huanggang Chenming Paper Technology Co., Ltd. During the reporting period, a subsidiary was acquired not within the definition of business, namely Shanghai Herui Investment Co., Ltd., and a subsidiary, Kunshan Tuoan Plastic Products Co., Ltd. was acquired by the Group.

During the reporting period, 3 companies were reduced from the scope of consolidation. A subsidiary, Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd. was absorbed into the Group. The Company disposed of 100% equity interest in Qingdao Chenming International Logistics Co., Ltd. and 100% equity interest in Shouguang Chenming Industrial Logistics Co., Ltd. Such companies were excluded from the scope of consolidation.

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

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

☐ Applicable ☒ Not applicable

- (8) Sales to major customers and major suppliers

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	4,206,250,003.00
Total sales to top 5 customers as a percentage of the total sales for the year	13.68%
Sales to top 5 customers who are related parties as a percentage of the total sales for the year	0.00%

Information on top 5 customers of the Company

No.	Name of customer	Sales (RMB)	As a percentage of the total sales for the year (%)
1	Customer A	1,517,790,193.09	4.94%
2	Customer B	874,517,197.71	2.85%
3	Customer C	757,788,686.39	2.47%
4	Customer D	568,959,413.24	1.85%
5	Customer E	487,194,512.57	1.59%
Total	–	4,206,250,003.00	13.68%

Other explanation of the major customers

☐ Applicable ☒ Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(8) Sales to major customers and major suppliers (Cont'd)

Major suppliers of the Company

Total purchases from top 5 suppliers (RMB)	3,318,628,631.65
Total purchases from top 5 suppliers as a percentage of the total purchases for the year	14.03%
Total purchases from top 5 suppliers who are related parties as a percentage of the total purchases for the year	0.00%

Information on top 5 suppliers of the Company

No.	Name of supplier	Purchases (RMB)	As a percentage of the total purchases for the year (%)
1	Supplier A	728,638,276.95	3.08%
2	Supplier B	713,093,673.39	3.02%
3	Supplier C	712,173,613.55	3.01%
4	Supplier D	618,918,206.86	2.62%
5	Supplier E	545,804,860.90	2.31%
Total	–	3,318,628,631.65	14.03%

Other explanation of the major suppliers

☐ Applicable ☒ Not applicable

3. Expenses

Unit: RMB

	2020	2019	Increase/ Decrease (%)	Reasons for material changes
Selling and distribution Expenses	298,246,355.91	320,810,724.85	-7.03%	Salaries and travel expenses decreased year on year during the reporting period.
General and administrative expenses	1,025,420,660.39	1,134,725,391.84	-9.63%	Loss on work stoppage decreased year on year during the reporting period.
Finance expenses	2,562,065,063.22	2,916,029,154.37	-12.14%	Interest expenses of the Company decreased year on year during the reporting period.
Research and development expenditure	1,274,355,241.49	992,312,956.74	28.42%	The Company increased efforts in research and development during the reporting period.

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

4. Research and development expenditure

☒ Applicable ☐ Not applicable

During the reporting period, the Company's technological R&D centre is carrying out its guiding principle of "optimisation and innovation, leading technologies, structural adjustment, increasing economic benefit, quality management, first-class quality, improving management and great achievements". The Company was always guided by customers' needs. Improving economic benefits is its goal. The Company kept pushing technological innovations, the production of products with high added value, and technological optimisation, aiming to improve the quality of its products. In 2020, the Company obtained 76 and national patents, one of which was a patent of paper making denaturation amylum, representing the Company's breakthrough in the field of papermaking denaturation amylum. The Company applied for special technological research cases on the provincial level vigorously. Five cases were on the list of 2020 Shandong Technological Innovation Special Cases, for instance, the "Technological Development of Effective Sizing with Electrostatic Paper" case, the "Technological Development of Art Paper for Advertisement" case and the "Technological Development of Art Paper for Culture". The "Technological Development of Rime Art Paper" case and the "Super High Bulk Art Paper for Children's Picture Album" were honoured as the Excellent New Product of 2020 Shandong Technological Innovation Award and the First Prize of Excellent New Achievement. The Company will continue adhering to the orientation of technological innovation. We will improve our R&D and product quality in a sustained way, aiming to take our core competence in developing the enterprise to a higher level.

Research and development expenditure of the Company

	2020	2019	Percentage of change
R&D headcount	1,933	1,925	0.42%
Ratio of R&D personnel	15.16%	14.07%	1.09%
R&D expenditure (RMB)	1,274,355,241.49	992,312,956.74	28.42%
R&D expenditure to revenue	4.15%	3.26%	0.89%

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

5. Cash flows

Unit: RMB

Item	2020	2019	Increase/ decrease (%)
Subtotal of cash inflows from operating activities	40,142,770,644.64	41,633,562,986.95	-3.58%
Subtotal of cash outflows from operating activities	28,882,967,968.36	29,400,855,764.01	-1.76%
Net cash flows from operating activities	11,259,802,676.28	12,232,707,222.94	-7.95%
Subtotal of cash inflows from investing activities	800,515,222.13	1,135,086,731.00	-29.48%
Subtotal of cash outflows from investing activities	981,555,028.94	3,160,639,742.95	-68.94%
Net cash flows from investing activities	-181,039,806.81	-2,025,553,011.95	91.06%
Subtotal of cash inflows from financing activities	31,654,325,203.77	34,920,351,820.10	-9.35%
Subtotal of cash outflows from financing activities	41,248,363,106.56	44,407,779,477.64	-7.11%
Net cash flows from financing activities	-9,594,037,902.79	-9,487,427,657.54	-1.12%
Net increase in cash and cash equivalents	1,498,841,936.39	508,769,784.89	194.60%

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

☒ Applicable ☐ Not applicable

Net cash flows from investing activities increased by 91.06% as compared to the corresponding period of the prior year mainly due to the purchase of the equity interest in Nanyue Bank by the Company during the corresponding period of the prior year.

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

☐ Applicable ☒ Not applicable

III. Analysis of non-principal operations

☐ Applicable ☒ Not applicable

V Discussion and Analysis of Operations

IV. Analysis of assets and liabilities

1. Material changes of asset items

Particulars in relation to adjustments made to relevant items of the financial statements as at the beginning of the year of the initial adoption of New Revenue Standard and New Leases Standard by the Company from 2020

Not applicable

Unit: RMB

	As of the end of 2020		As of the beginning of 2020		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Accounts receivable	1,984,931,665.82	2.17%	2,525,083,311.03	2.58%	-0.41%	Mainly due to the Company stepping up its efforts to recover its receivables and increased its account receivable turnover rate.
Prepayments	964,290,512.36	1.05%	603,573,549.08	0.62%	0.44%	Mainly due to the increase of the Company's raw material prepayment.
Non-current assets due within one year	4,222,744,207.34	4.61%	6,974,539,613.30	7.12%	-2.51%	Mainly due to the extension granted to certain financial leasing customers as affected by the COVID-19 epidemic.
Other current assets	2,716,918,695.85	2.97%	8,108,707,394.70	8.28%	-5.31%	Mainly due to continued reduction of the scale of the financial leasing business during the reporting period.
Long-term receivables	4,658,884,857.95	5.09%	1,200,575,810.95	1.23%	3.86%	Mainly due to the extension granted to certain financial leasing customers as affected by the COVID-19 epidemic.
Investment properties	5,943,159,568.00	6.49%	5,082,362,293.11	5.19%	1.30%	Mainly due to the transfer of Shanghai Herui's equity to offset the debts of the leasing companies.
Fixed assets	37,651,706,658.97	41.12%	34,439,935,032.69	35.16%	5.96%	Mainly due to the transfer of assets of the Huanggang chemical pulp project during the reporting period.
Construction in progress	179,857,941.83	0.20%	5,476,122,928.95	5.59%	-5.39%	Mainly due to the active reduction of the scale of short-term debt.
Short-term borrowings	32,793,992,957.86	35.81%	36,883,156,014.19	37.65%	-1.84%	During the reporting period, the Company increased its payment for goods with bills.
Bills payable	2,998,936,736.34	3.27%	1,515,048,206.00	1.55%	1.73%	Mainly due to the repayment of shareholders' financial assistance during the reporting period.
Other payables	1,956,715,367.83	2.14%	2,594,249,626.54	2.65%	-0.51%	Mainly due to the medium-term notes due within one year, and the reclassification of its effect.
Non-current liabilities due within one year	7,160,949,615.93	7.82%	5,662,958,920.03	5.78%	2.04%	Mainly due to the resale of the RMB350 million Corporate Bonds during the reporting period.
Bonds payable	1,536,877,351.46	1.68%	1,258,270,909.49	1.28%	0.39%	Mainly due to the reclassification of certain medium-term notes to non-current liabilities due within one year during the reporting period.
Other non-current liabilities	789,521,686.07	0.86%	3,042,841,328.86	3.11%	-2.24%	Repayment of the RMB2 billion Perpetual Bonds during the reporting period.
Other equity instruments	5,473,500,000.00	5.98%	7,465,500,000.00	7.62%	-1.64%	

V Discussion and Analysis of Operations

IV. Analysis of assets and liabilities (Cont'd)

2. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Increase in purchases/breeding during the period	Disposal during the period	Other changes	Closing balance
1. Held-for-trading financial assets (excluding derivative financial assets)		-2,777,016.53	-2,777,016.53		195,684,817.15			192,907,800.62
2. Other non-current financial assets	147,445,653.55	9,464,346.45	55,910,000.00		4,000,000.00	15,000,000.00		145,910,000.00
3. Consumable biological assets measured at fair value	1,541,004,633.42	-13,329,852.55	20,102,661.98		66,312,515.15	58,600,430.58		1,535,386,865.44

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

☐ Yes ☒ No

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

Unit: RMB

Item	Carrying amount as at the end of the period	Reasons for such restriction
Monetary funds	13,022,652,331.98	As deposits for bank acceptance bills and letters of credit, and deposit reserves etc.
Held-for-trading financial assets	96,453,900.31	As deposits for borrowings from Haitong International Securities
Accounts receivable financing	5,555,551.65	As collateral for letters of guarantee and letters of credit
Investment properties	4,929,794,589.62	As collateral for bank borrowings
Fixed assets	11,147,836,807.04	As collateral for bank borrowings and long-term payables
Intangible assets	1,247,015,765.23	As collateral for bank borrowings and long-term payables
Total	30,449,308,945.83	

V Discussion and Analysis of Operations

V. Investments

1. Overview

☒ Applicable ☐ Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
1,940,190,000.00	3,601,194,479.24	-46.12%

2. Material equity investments during the reporting period

☒ Applicable ☐ Not applicable

Unit: RMB

Name of investee	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the period	Involvement in lawsuit	Date of disclosure (if any)	Disclosure index (if any)
Kunshan Tuoan Plastic Products Co., Ltd.	Plastic products	Acquisition	220,000,000.00	100%	Self-owned funds	Subsidiary	Long-term	Plastic products	Completed	0.00	7,770,967.40	No	Not applicable	Not applicable
Hainan Chenming Technology Limited	Goods procurement and sales	Newly established	10,000,000.00	100%	Self-owned funds	Subsidiary	Long-term	Wood products, wood pulp, machine-made paper	Completed	0.00	214,053.76	No	Not applicable	Not applicable
Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)	Consulting service business related to non-securities equity investment activities	Newly established	533,390,000.00	59.97%	Self-owned funds	Hubei Changjiang (Huanggang) Asset Investment Fund Partnership (Limited Partnership)	Operating period of 5 years, automatic extension after maturity	Privately placed	Completed	0.00	-	No	24 December 2020	http://www.cninfo.com.cn
Shandong Dingkun Asset Management Partnership (Limited Partnership)	Asset management services for self-owned fund investments	Newly established	1,000,000,000.00	99.90%	Self-owned funds	Subsidiary	Long-term	Asset management	Completed	0.00	-31,859,598.23	No	24 December 2020	http://www.cninfo.com.cn
Shanghai Henui Investment Co., Ltd.	Industrial investment	Acquisition	176,800,000.00	100%	Self-owned funds	Subsidiary	Long-term	Investment apartment	Completed	0.00	-	No	5 December 2020	http://www.cninfo.com.cn
Total	-	-	1,940,190,000.00	-	-	-	-	-	-	0.00	-23,874,577.07	-	-	-

3. Material non-equity investments during the reporting period

☐ Applicable ☒ Not applicable

V Discussion and Analysis of Operations

V. Investments (Cont'd)

4. Financial asset investment

(1) Security investments

☒ Applicable ☐ Not applicable

Unit: RMB

Type of security	Stock code	Abbreviation of stock name	Initial investment cost	Accounting measurement model	Book value at the beginning of the reporting period	Profit or loss from changes in fair value in the current period	Accumulated changes in fair value included in equity	Purchased amount in the current period	Sold amount in the current period	Profit or loss during the reporting period	Book value at the end of the reporting period	Classification in accounts	Source of fund
Domestic and foreign shares	09668	China Bohai Bank	195,684,817.15	Measured at fair value	0.00	-2,777,016.53	-2,777,016.53	195,684,817.15	0.00	-2,777,016.53	192,907,800.62	Held-for-trading financial assets	Self-owned funds and borrowings
Total			195,684,817.15	-	0.00	-2,777,016.53	-2,777,016.53	195,684,817.15	0.00	-2,777,016.53	192,907,800.62	-	-

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

20 June 2020

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

Not applicable

(2) Derivatives investments

☐ Applicable ☒ Not applicable

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

5. Use of proceeds

☐ Applicable ☒ Not applicable

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

V Discussion and Analysis of Operations

VI. Disposal of material assets and equity interest

1. Disposal of material assets

☐ Applicable ☒ Not applicable

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

2. Disposal of material equity interest

☒ Applicable ☐ Not applicable

Counterparty(ies)	Equity interest disposed of	Disposal date	Transaction consideration (RMB' 0,000)	Net profit contribution to the Company from the beginning of the period up to the disposal date (RMB' 0,000)	Effect of disposal on the Company	Net profit contribution to the Company on equity disposal as a percentage of total net profit (%)	Pricing basis of disposal of equity interest	Related party transaction or not	Relationship with counterparty(ies)	Relevant asset title fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Zhanjiang Kangyao Timber Limited	Shouguang Chenming Industrial Logistics Co., Ltd.	29 February 2020	710	-397.07	Beneficial for resources integration of the Company, asset portfolio optimisation, and	0.66%	Appraised value	No	Not related party	Yes	Transfer completed	Not applicable	Not applicable
Zhanjiang Kangyao Timber Limited	Qingdao Chenming International Logistics Co., Ltd.	29 February 2020	2,300	-36.61	concentration of competitive edges on principle businesses to improve quality and efficiency.	0.32%	Appraised value	No	Not related party	Yes	Transfer completed	Not applicable	Not applicable

V Discussion and Analysis of Operations

VII. Analysis of major subsidiaries and investees

√ Applicable □ Not applicable

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

Unit: RMB

Name of company	Type of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of duplex press paper, electrostatic paper, and white paper board	5,550,000,000.00	23,682,487,540.14	10,198,061,649.33	11,870,586,483.29	1,324,125,687.68	1,192,007,567.15
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Production and sale of white paper board, cultural paper and light weight paper	2,448,235,549.05	7,640,903,439.72	3,344,498,934.32	3,434,854,907.78	294,479,476.26	265,237,736.13
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper, cultural paper, household paper and chemical pulp	3,432,631,579.00	14,925,462,793.85	5,880,335,249.54	8,070,365,747.22	227,550,879.88	219,893,721.83
Shandong Chenming Group Finance Co., Ltd.	Subsidiary	Financial services	5,000,000,000.00	8,154,685,390.31	5,348,813,486.25	358,333,247.22	283,123,201.10	211,363,966.26

V Discussion and Analysis of Operations

VII. Analysis of major subsidiaries and investees (Cont'd)

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Name of company	Methods to acquire and dispose of subsidiaries during the reporting period	Impact on overall production and operation and results
Chenming (Overseas) Co., Ltd.	Newly established	There are few business operations and no impact at the moment.
Chenming (Singapore) Co., Ltd.	Newly established	There are few business operations and no impact at the moment.
Qingdao Chenming Import and Export Trade Co., Ltd.	Newly established	There are few business operations and no impact at the moment.
Hainan Chenming Technology Co., Ltd.	Newly established	Net profit increased by RMB0.21 million.
Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)	Newly established	There are few business operations and no impact at the moment.
Hubei Huanggang Chenming Equity Investment Fund Management Limited	Newly established	There are few business operations and no impact at the moment.
Shandong Dingkun Asset Management Partnership (Limited Partnership)	Newly established	Net profit decreased by RMB31.86 million.
Huanggang Chenming Paper Technology Limited	Newly established	There are few business operations and no impact at the moment.
Shanghai Herui Investment Co., Ltd.	Acquisition	There are few business operations and no impact at the moment.
Kunshan Tuoan Plastic Products Co., Ltd.	Acquisition	Net profit increased by RMB7.77 million.
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Merger	Net profit decreased by RMB0.32 million.
Shouguang Chenming Industrial Logistics Co., Ltd.	Transfer of 100% equity interest	Net profit increased by RMB5.41 million.
Qingdao Chenming International Logistics Co., Ltd.	Transfer of 100% equity interest	Net profit increased by RMB11.36 million.

Particulars of major subsidiaries and investees

1. For the integrated forestry, pulp and paper project of Zhanjiang Chenming, the gross profit margin of its main products, electrostatic paper and white paper board, reached a high level, showing strong profitability.
2. Jiangxi Chenming is mainly engaged in the production and sales of white paper board and culture paper, and the profitability of white paper board has increased.
3. Shouguang Meilun is mainly engaged in the production and sales of coated paper and culture paper, and its profitability will further improve after its 1,000,000 tonne chemical pulp project commences operation.
4. The Finance Company, as the financial institution serving the Group's companies, saved financial costs for the Company and recorded sound profitability.

V Discussion and Analysis of Operations

VIII. Structured entities controlled by the Company

☐ Applicable ☒ Not applicable

IX. Outlook on the future development of the Company

(i) Overview and development trend of the industry

Last year, despite the unfavourable factors in macro-economy and global public health issue, the Chinese papermaking industry was able to withstand all kinds of pressure and overcame challenges, thus realising steady growth. According to the National Bureau of Statistics, in 2020, the production volume of machine-made paper and paper board in China was 127.0063 million tonnes, representing a year-on-year increase of 1.48%. National-scale enterprises realised total profit of RMB6,451.610 billion, representing an increase of 4.1% from last year. The supply-side reform gradually deepened. Low-end production capacity may actively exit the industry or was passively forced out from the industry. The competition in the industry was further optimised, and the industry leaders had a greater influence in the industry. The Waste Prohibition Order was implemented effectively. The optimisation of industry chain became a national strategy. Industry leaders accelerated industry chain layout.

Papermaking industry is a typical industry with high entry barriers, and featured with obvious oligopoly. Looking forward, as driven by environmental protection policies, the industry concentration is expected to further enhance. In addition, the Waste Prohibition Order and the Plastic Restriction Order had directly and indirectly increased the demand in upper stream paper pulp supply. In respect of overseas market, the Company will create a better “combo” through diversified market tools, aiming to enhance its influence in global raw material market. In respect of domestic market, the acceleration in industry chain construction and optimisation of self-supply of raw materials to secure stable supply will be the key focus of the industry in the future.

(ii) Development strategy of the Company

2021 is the opening year of the “14th Five Year Plan”. As guided by the national key direction of “adhering to the new development concept and building new development trend at the new development stage”, the Company will remain true to its original aspiration and develop by grasping opportunities arise. Taking “revitalising the Chinese papermaking industry” as its mission with scientific development as main theme, centring on efficiency enhancement, and focusing on pulp production and papermaking as major operation, the Company will concentrate on strengthening the industry, and continue to put great efforts in the implementation of strategies driven by innovation and development. The Company will accelerate the growth driver replacement. With transformation and upgrade guided by green ecology, the Company will fully exploit its advantages in full industry chain and adhere to the path of quality, sustainable green and low carbon development, thereby offering customers with more eco-friendly, quality products and services. The Company will also strive to achieve the corporate mission of “developing Chenming as a RMB100 billion enterprise with sustainable operation for a century”.

V Discussion and Analysis of Operations

IX. Outlook on the future development of the Company (Cont'd)

(iii) Operation plans for 2021

Stepping into a new path and get ready to set off. In 2021, the Company will develop the core value of “achieving win-win situation with sincere operation”, adhere to the management direction of “efficient management, structure adjustment, market exploration and strict risk control”, and continue to carry forward its corporate philosophy of “learning, surpassing limits and maintaining leading position”. The Company will focus on operation management, further implement various working directions formulated, fully enhance corporate management level, and promote quality development of the Company.

1. Focus on corporate management and efficiency enhancement

Adhering to the working direction of “focusing on execution for system optimisation, incentive for appraisal enhancement, actual effect for team building, and result for management improvement”, the Company will fully enhance its management standards. Firstly, the Company will focus on system implementation, implement automated operation in key procedures, and formulate case study analysis for typical issues. Secondly, the Company will enhance its appraisal incentives, further optimise appraisal measures, highlight the performance of key functions, implement appraisal measures on key operations, and motivate the work enthusiasm of employees. The Company will also strictly implement performance-based incentive measures for cost reduction, efficiency enhancement and fight for policy, and effectively mobilise the enthusiasm and creativity of works. Thirdly, the Company will strengthen team building. Referencing to the advanced ways on talent recruitment of outstanding enterprises, the Company will introduce talent to its senior management, and improve the overall quality of management team. The Company will establish a professional training team, which will offer accurate, effective and practical trainings for the development of the Company.

2. Focus on sales management and strive for innovation and breakthrough

Adhering to the concept of accountable to the customers, the sales system will continue to implement the working direction of “getting familiar to market operation, striving for structure adjustment, implementing strict control over business risk and comprehensively improving management”. The Company will strengthen basic management, create innovative sales model, and further increase the market share of products of the Company. Firstly, the Company will assess market trend, enhance market operation, adjust product portfolio, and improve the effectiveness of price rise. Secondly, the Company will optimise the sales network and after-sale service network, proactive expand overseas sales channels and enhance its cooperation with core direct sale customers, thereby offering efficient, quick and whole process services for customers. Thirdly, the Company will fully enhance basic management, improve management system, formulate sales policies in line with the actual market condition, increase control points on operational procedures, and eliminate sales weaknesses. Fourthly, the Company will strengthen team building, establish innovative appraisal model, and implement comprehensive “meshing” management over key markets and regions. The Company will also enhance the expertise of sales personnel, aiming to establish an efficient sales team.

V Discussion and Analysis of Operations

IX. Outlook on the future development of the Company (*Cont'd*)

(iii) Operation plans for 2021 (*Cont'd*)

3. Strengthening financial management to lower financial costs

The financial system will continue with the thorough implementation of the principles of “strict control over the use of funds, strengthening financing capabilities, enhancing cost control, and comprehensively improving management”, as well as optimise the debt structure, in an attempt to ensure high-quality and stable operation of the Company. Firstly, The company will strengthen basic management, promote the application of financial management software in relation to credit and financial statements, strengthen computer control, and improve our ability to analyse financial big data. Secondly, its measures to optimise the financing structure include reasonable planning of the issuance and composition of long-term and short-term bonds, implementation of equity financing projects such as convertible bonds and refinancing, further efforts in reducing the scale of financial leasing and bringing the Company’s gearing ratio down. Thirdly, the company will increase revenue and reduce expenditure, proactively pursue preferential policies, optimise performance indicators of financing costs, and reduce financial expenditures.

4. Emphasis on production management to enhance production capability and efficiency

The production system will continue to implement the business concepts of “stable operation, greater production capacity, better quality, and lower costs”, and earnestly strive for safe and green production. Firstly, the company will strengthen equipment management, strictly conduct equipment inspection, apply management specifications, promote the application of equipment informatisation and equipment check to give full play to their performance. Secondly, the company will strengthen the management of spare parts, achieve comprehensive computer control over inventory, and reduce capital occupation of spare parts and inventory. Thirdly, the company will make adjustments to technology structure, focus on the production of high value-added products, and comprehensively increase the pulp and paper production capacity by optimising the pulp formula and strengthening the control measures in business operations. Fourthly, the company consistently pay attention to the safety and environmental protection work and offer training and education on this topic. The company will improve the business skills of the production system team, troubleshoot and deal with potential safety hazards, defence the bottom line of safety, aim at zero environmental accident, and effectively improve the level of production management.

5. Improving supply chain management to reinforce management in all respects

In order to improve service quality and create value, the supply chain management centre will adhere to its internal principles, further strengthen supply chain management, actively seek policy support, strengthen source procurement and expand business scopes. First of all, the company will optimise the management of the supplier platform, introduce a competitive mechanism, identify outstanding suppliers to forge and improve stable and long-term strategic cooperation with them. Furthermore, the company will improve the supply chain business process, strictly control capital occupation, reinforce the management of the business plans, share and transfer raw materials within the Group, and carry out consignment sales and other measures. Key nodes are included in the early warning of computer control. In addition, the company will perform in-depth research about the futures market, actively use this instrument to optimise raw material prices, prevent price risks, and achieve price advantages with the use of futures. Last but not least, the company will promote the construction of procurement information system, draw reference from practices of the international leading companies, and build an information platform to realises resource sharing.

V Discussion and Analysis of Operations

IX. Outlook on the future development of the Company (*Cont'd*)

(iii) Operation plans for 2021 (*Cont'd*)

6. Other works commence orderly

Firstly, the Company will focus on supervision and management so as to eliminate management frauds. The company will establish a strong team specialising in operation. Based on the preliminary works, the Company will visit work sites and discover any problem in a timely manner. Any incompliance will be vigorously combated. The Company will optimise internal control procedures, improve risk prevention and management system, and implement strict procedure management and procedure control. The company promote standard corporate operation through internal supervision over internal control, information exchange mechanism and self-assessment mechanism. In addition, we will improve its corporate legal risk prevention mechanism, and enhance procedure supervision and significant risk control.

Secondly, the Company will enhance its service sense and improve service efficiency. Different administrative departments will improve the professionalism, initiative and efficiency of its service by positioning themselves in serving the production and frontline sales. Departments will also build the awareness on serving each other, unblock cooperation channels and enhance work efficiency.

Thirdly, the Company will develop innovative marketing initiatives so as to enhance marketing effects. By fully utilising new media and focusing on key areas, marketing campaigns will be launched centring on the dynamic corporate development, phrasal key events and results, advanced management concepts and measures, meritorious deeds, recreational activities and other aspects, aiming to improve the quality and standard of marketing.

(iv) Future capital requirements and source of funds

Focusing on principal operation, and striving to the strategic plan on pulp and paper integration, the Company continued to strengthen its core competitiveness. Future capital requirements of the Company will mainly focus on: the continuous investment in existing production facilities due to technology upgrade or production expansion; and capital requirement for business expansion and daily operation. During the reporting period, the phase II construction of Huanggang Chenming was considered and approved at the 2020 fourth extraordinary general meeting of the Company. The proposed total investment is RMB12.8 billion, which will be partly funded by self-owned funds of the Company, as well as government guide funds, policy support funds and syndicated loans.

In order to meet various business development needs of the Company and further extend and expand the industry chain, the Company proactively expand financing channels, enhance credit management, implement well planned long and short-term bond issue, GDR Fund, introduce third-party strategic investors, diversify financing channels through refinancing and other means, and optimise financing structure, thus providing stable financial support for the operation and development of the Company.

V Discussion and Analysis of Operations

IX. Outlook on the future development of the Company (Cont'd)

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

1. Macroeconomic and policy risk

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

Focusing on its principal operation on pulp production and papermaking, the Company will strive to its innovation-driven strategy. Centring on improving quality and efficiency, with the in-depth incorporation of smart technology into industrial activities as main theme, the Company will comprehensively optimise industrial structure and regional layout, establish coordinated, efficient industry system, and respond to challenges arose by leveraging on its cost advantages, thus realising steady growth in operating results. At the same time, the Company will strengthen the financial information system construction, regulate financial management, enhance financing capability, lower capital cost and strengthen its economic risk aversion capability.

2. Risk of intensifying market competition

As driven by industry policies, environmental protection policies, trade environment and other factors, papermaking enterprises commence strategic transformation and upgrade, put greater efforts in innovation and research and development, improve quality and efficiency, and enhance product competitiveness, resulting in intensifying market competition.

Leveraging on its vigorous management and world class equipment and technologies, the Company will continue to increase the value of Chenming brand, and enhance brand influence. The Company have constructed several high-end paper production lines, with diversified product structure and full range of products, thus diversifying market risk effectively and strengthening the market aversion capability of the Company. Based on the location of production base, products of the Company have achieved sales in nearby areas and quick delivery, thus effectively lowering transportation cost, radiating to market network and enhancing market competitiveness.

3. Risk of price fluctuation of raw materials

Wood pulp and wood clips are the major raw materials of the Company. The market price of wood pulp fluctuates significantly, while wood clips are heavily dependent on export. If there is a significant fluctuation in prices of raw materials in the future, the product costs of the Company's products will be affected, which in turn affects the performance of the Company.

The Company strives to implement the development strategy of pulp and paper integration. At present, the Company has 3 large chemical pulp production lines in Shouguang, Zhanjiang and Huanggang. Looking forward, the Company will focus on the construction of Hubei Huanggang Production Base in Central China, aiming to further optimise the industry chain of the integrated pulp and paper project of Huanggang Chenming, create the strategic layout of three major product bases for pulp and paper integration in Shandong, Zhanjiang and Huanggang, fully exploit the advantages of full industry chain, get rid of the restrictions brought by raw materials on the Company, and strengthen the core competitiveness of the Company.

V Discussion and Analysis of Operations

IX. Outlook on the future development of the Company (*Cont'd*)

(v) Risk factors likely to be faced and measures to be taken (*Cont'd*)

4. Environmental protection policy risk

In recent years, China's environmental protection standards have become stricter. During the reporting period, China successively introduced and implemented the Law on the Prevention and Control of Environmental Pollution by Solid Waste (revised), Management Law of Waste Disposal Permit (Draft) and other systems. A higher emission standard is bound to increase the environmental protection costs in the industry and a high entry standard may result in the slowdown of scale expansion.

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

5. Risk on financial leasing business

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

Chenming Leasing has comprehensive risk prevention and control measures for the Company's financial leasing business, with strong risk resistance and low risk of default. At present, Financial Leasing Company continues to implement the business strategy of continuous reduction, with net recovery of proceeds of RMB3,600 million realised in 2020, which effectively put risk exposures under control.

V Discussion and Analysis of Operations

X. Reception of research investigations, communications and interviews

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

√ Applicable □ Not applicable

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
1 April 2020	Meeting room of the Company	Phone	Institutions	Southern Asset Management, Rongtong Fund, Galaxy AMC, China Merchants Fund, Changxin Fund, Dongwu Light Engineering, E Fund, Sun Life Everbright, ICBC Credit Suisse etc.	Company's main operating conditions, business conditions and project progress	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
8 April 2020	Meeting room of the Company	Phone	Institutions	Shenwan Hongyuan Security, Dacheng Fund, Huatai Insurance, Yinhua Fund, UBS SDIC, HSBC Jintrust, China Life Pension Company, Essence Fund etc.	Company's main operating conditions, business conditions and project progress	For details, please refer to the Investor Relations Activity Record Sheet on www.cninfo.com.cn
29 September 2020	Panorama • Roadshow platform	Internet	Individuals, institutions	Investors who participated in the 2020 Investor Online Collective Reception Day of Listed Companies in Shandong	Corporate governance, development strategy, operating status	Panorama • Roadshow http://rs.p5w.net/
Times of communications						3
Number of institutions communicated with						38
Number of individuals communicated with						22
Number of other communication parties						0
Tip-offs or leakages of substantial confidential information during the communications						No

VI Directors' Report

The Directors (the "Directors") of the Company hereby present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2020.

I. Principal activities

Please refer to section IV "Business Overview", and "I. Principal operations of the Company during the Reporting Period" and "II. Analysis of principal operations" under section V "Discussion and Analysis of Operations" for details of principal activities of the Company.

II. Results and profit distribution

Please refer to section XIII "Financial Report" for the results of the Group for the year ended 31 December 2020.

III. Dividends

After the end of the reporting period, the Board proposed to pay a final dividend for the year ended 31 December 2020 ("final dividend") of RMB1.85 in cash for every 10 Shares (tax inclusive) (2019: dividend of RMB1.465828 in cash for every 10 Shares (tax inclusive)) to the ordinary shareholders of the Company, subject to approval of shareholders at the forthcoming Annual General Meeting ("AGM") of the Company held on 18 June 2021. Upon approval of shareholders of the Company at the AGM, the Company is expected to pay the final dividend on or by 18 August 2021 to shareholders whose names appear on the register of members of the Company on 24 June 2021.

In accordance with the Corporate Income Tax Law of the PRC and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% corporate income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of final dividends as corporate income tax, distribute the final dividends to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, or other nominees, trustees, or holders of H Shares registered in the name of other organisations and groups.

Due to changes in the PRC tax laws and regulations, according to the Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents issued by the State Administration of Taxation 《關於公佈全文失效廢止、部份條款失效廢止的稅收規範性文件目錄的公告》 on 4 January 2011, individual Shareholders who hold the Company's H Shares and whose names appeared on the H Share Register of the Company can no longer be exempted from individual income tax pursuant to the Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (Guo Shui Fa [1993] No. 045) 《關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》(國稅發[1993]045號)) issued by the State Administration of Taxation, whilst pursuant to the letter titled Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Stock Exchange to the issuers on 4 July 2011 and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 of State Administration of Taxation (Guo Shui Han [2011] No. 348) 《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), it is confirmed that the overseas resident individual shareholders holding shares of domestic non-foreign invested enterprises issued in Hong Kong are entitled to the relevant preferential tax treatments pursuant to the provisions in the tax arrangements between the countries where they reside and the PRC or the tax arrangements between the PRC and Hong Kong (Macau). Therefore, the Company will withhold 10% of the dividend as individual income tax, unless it is otherwise specified in the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividends in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

VI Directors' Report

IV. Closure of register of members

The register of members of the Company will be closed from 11 June 2021 (Friday) to 18 June 2021 (Friday) (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting to be held on 18 June 2021 (Friday), all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 10 June 2021 (Thursday).

V. Five-year financial summary

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

VI. Donations

During the year, the Company donated RMB8,922,077.88 (2019: RMB11,947,836.00) to non-profit making organisations.

VII. Subsidiaries

Please refer to "VII. Analysis of major subsidiaries and investees" under section V "Discussion and Analysis of Operations" and "XX. Matters of significant of subsidiaries of the Company" under section VII "Material Matters" for the details of acquisition and disposal of subsidiaries by the Company during the year.

VIII. Property, plant and equipment

Please refer to "II. Financial Statements 1. Consolidated Balance Sheet" under section XIII "Financial Report" for the details of changes in property, plant and equipment of the Group for the year ended 31 December 2020.

IX. Share capital

Please refer to "I. Changes in shares" under section VIII "Changes in Share Capital and Shareholders" for details of changes in share capital of the Company for the year ended 31 December 2020.

X. Pre-emptive rights

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

XI. Transfer into reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Law. As at 31 December 2020, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB10,465,721,088.71 (2019: RMB9,792,126,677.35) as set out in "II. Financial Statements 1. Consolidated Balance Sheet" under section XIII "Financial Report".

VI Directors' Report

XII. Directors

As at 31 December 2020, the Directors of the Company were:

1. Executive Directors

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

2. Non-executive Directors

Mr. Han Tingde
Mr. Li Chuanxuan

3. Independent Non-executive Directors

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

According to the Articles of Association of the Company, all Directors, including non-executive Directors, have been elected at the general meetings with a term of three years from June 2019 to June 2022. They may be re-elected for another term upon expiry of tenure.

XIII. Directors' service contracts

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

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

VI Directors' Report

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

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

In 2020, the Company had 23 Senior Management members in total, which included Directors, Supervisors and the Senior Management. The remuneration of the Senior Management falls within the following ranges:

Range of remuneration (RMB)	Number
4.8 million to 5.2 million	2
4.0 million to 4.8 million	0
3.6 million to 4.0 million	0
3.2 million to 3.6 million	1
2.8 million to 3.2 million	3
2.4 million to 2.8 million	0
2.0 million to 2.4 million	0
1.6 million to 2.0 million	1
1.2 million to 1.6 million	2
0.8 million to 1.2 million	0
Below 0.8 million	14

XV. Independent Non-executive Directors

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

VI Directors' Report

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

As at 31 December 2020, interests of the Company or its associated corporations (within the meaning of Part XV of SFO) held by each of the Directors, Supervisors and Chief Executives of the Company under section 352 of the SFO are set out as follows:

Associated corporations

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 1)	Chairman	31,080,044
Hu Changqing	Executive Director and Vice Chairman	5,042,857
Li Xingchun	Executive Director and Vice Chairman	5,000,000
Li Feng	Executive Director and General Manager	3,906,027
Han Tingde	Non-executive Director	–
Li Chuanxuan	Non-executive Director	–
Sun Jianfei	Independent non-executive Director	–
Yin Meiqun	Independent non-executive Director	–
Yang Biao	Independent non-executive Director	–
Supervisors		
Li Kang	Supervisor	149,300
Pan Ailing	Supervisor	–
Zhang Hong	Supervisor	–
Li Xingguai	Supervisor	–
Qiu Lanju	Supervisor	–

Associated corporations

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

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

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

VI Directors' Report

XVI. Securities interests held by Directors, Supervisors and Chief Executives (Cont'd)

Save as disclosed above, as at 31 December 2020, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (hereinafter referred to as the "Hong Kong Listing Rules").

As at 31 December 2020, none of the Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 held or exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

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

As at 31 December 2020, the following shareholders (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as shown in the share register maintained by the Company in accordance with Section 336 of the SFO (Chapter 571 of the Laws of Hong Kong):

Name	Number of shares held (shares)	Approximate shareholding as a percentage of	
		Total share capital (%)	Class of shares (%)
Chenming Holdings Co., Ltd.	457,322,919	15.32	26.14
	A shares (L)		
Chenming Holdings (Hong Kong) Limited	210,717,563	7.06	29.83
	B shares (L)		
Chenming Holdings (Hong Kong) Limited	153,414,000	5.14	29.04
	H shares (L)		

(L) – Long position

(S) – Short position

(P) – Lending pool

Save as disclosed above, as at 31 December 2020, no other person had interests or short positions in the Company's shares or underlying shares as recorded in the register maintained under section 336 of the SFO.

XVIII. Relationship with employees, customers and suppliers

Please refer to "V. Personnel of the Company" under section X "Directors, Supervisors and Senior Management and Staff", and "2. (8) Sales to major customers and major suppliers" of "II. Analysis of principal operations" under section V "Discussion and Analysis of Operations" for details of the relationship between the Company and its employees, customers and suppliers.

XIX. Directors' interests in material contracts and indemnity provision

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

VI Directors' Report

XX. Interests in competing business

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

XXI. Directors' rights to purchase shares or debentures

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

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

XXII. Preference shares

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

XXIII. Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2020.

XXIV. Major risk factors

Please refer to "(V) Risk factors likely to be faced and the measures to be taken" of "IX. Outlook on the future development of the Company" under section V "Discussion and Analysis of Operations" for details of major risk factors of the Company.

XXV. Material matters

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

XXVI. Future development

Please refer to "(I) Competition overview and development trend of the industry", "(II) Development strategy", "(III) Operating plan for 2021" and "(IV) Future capital requirements and source of funds" of "IX. Outlook on the future development of the Company" under section V "Discussion and Analysis of Operations" for details of future development of the Company.

XXVII. Environment, social and governance report and social responsibility

Please refer to XVIII. Fulfilment of Social Responsibility under section VII "Material Matters" for details of fulfilment of social responsibility. Please refer to the environment, social and governance report as required by the Hong Kong Listing Rules, which will be issued separately by the Company before 29 June 2021.

XXVIII. Purchase, sale and redemption of shares

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

VI Directors' Report

XXIX. Sufficiency of public float

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

XXX. Review of the Audit Committee

The audited consolidated financial statements of the Company for the year ended 31 December 2020 has been reviewed by the Audit Committee of the Company.

XXXI. Gearing ratio

As at 31 December 2020, the Company's gearing ratio (including minority interest) was 60.87%, representing a decrease of 1.29 percentage points from 62.16% for 2019.

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

XXXII. Going Concern Basis

The Company is a large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, forestry, logistics and construction materials. It is also the first company in the paper making industry to own a financial company. The Group has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and others, which deliver annual pulp and paper production capacity of over 11,000,000 tonnes, and is a large integrated pulp and paper enterprise in China that achieves a balance of pulp production and paper making.

The Company has good sustainable profitability. In 2020, the Company achieved revenue of RMB30,737 million, net profit of RMB1,906 million and net cash inflows from operating activities of RMB40,143 million. Meanwhile, the Company always places emphasis on the interests of and return to shareholders, and has paid generous cash dividends for several years.

In compiling the accounts for the year ended 31 December 2020, the Directors have chosen and thoroughly applied the appropriate accounting policies with due and reasonable judgement and estimates having been made, and prepared the accounts on a going concern basis. The auditor of the Company has prepared the 2020 annual financial report on a going concern basis, and has issued a standard unqualified audit opinion (see Financial Report section).

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

XXXIII. Connected Transactions

1. The Issue and Grant of Restricted Shares under the Incentive Scheme

On 30 March 2020, the Board considered and approved the resolution in relation to the proposed adoption of the Company's incentive scheme. On 15 May 2020, the relevant resolution was considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company. The incentive scheme was thus approved and became effective.

On 29 May 2020, the Board granted in aggregate 79.6 million restricted ordinary A shares to 111 participants under the incentive scheme at a price of RMB2.85 per share. The participants included the Directors of the Company (excluding independent Directors and external Directors), senior management, key technical (business) employees and other persons who, in the opinion of the Board, are qualified. The restricted shares are subject to the lock-up period and can only be unlocked for trading when the unlocking conditions under the incentive scheme are satisfied.

VI Directors' Report

XXXIII. Connected Transactions (*Cont'd*)

1. The Issue and Grant of Restricted Shares under the Incentive Scheme (*Cont'd*)

As some of the participants are the Directors and Senior Management of the Company and its subsidiaries, and, accordingly, the connected persons of the Company, the issue and grant of restricted shares to those connected persons of the Company under the incentive scheme will constitute a non-exempt connected transaction of the Company.

The Board is of the view that the incentive scheme can help the Company to further establish and improve its long-term incentive mechanism, attract and retain talented individuals, fully mobilise the enthusiasm of Directors, senior management, core technical (business) backbone staff and other employees of the Company, bond the interests of Shareholders, the Company and core individuals together effectively, help various parties to attend to the long-term development of the Company and improve operational efficiency. It also reflects the ongoing support to the Group from the related employees and the recognition to their contribution to the long-term growth and development of the Group. The Board is of the view that the terms and conditions of the incentive scheme are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders as a whole.

For details, please refer to “XV. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company” under section VII “Material Matters” of this annual report and the Company’s announcement dated 30 March 2020 and published on 31 March 2020 before trading hours, the circular dated 29 April 2020, the overseas regulatory announcement dated 29 May 2020 and published on 1 June 2020 before trading hours, and the overseas regulatory announcement dated 8 July 2020.

2. Acquisition of the Entire Equity Interests in Wuhan Chenming’s Shareholders Aberdeen and VNN

On 21 December 2020, the Company’s wholly-owned subsidiary Chenming (Overseas) Co., Ltd. (“Chenming Overseas”), Yu Jianren, Yu Jianlong, Aberdeen Industrial Limited (“Aberdeen”) and VNN Holdings Limited (“VNN”) entered into the Equity Transfer Agreement in respect of the acquisition of the entire equity interests in Wuhan Chenming’s shareholders Aberdeen and VNN. In particular, Yu Jianren and Yu Jianlong are both natural persons of PRC nationality, while Aberdeen and VNN are both limited liability companies incorporated in the British Virgin Islands with their business being investment holding. Pursuant to the agreement, (i) Yu Jianren agreed to sell and Chenming Overseas agreed to purchase the entire equity interest in Aberdeen at a cash consideration of RMB312.6 million; (ii) Yu Jianlong agreed to sell and Chenming Overseas agreed to purchase the entire equity interest in VNN at a cash consideration of RMB97.4 million.

Prior to the Acquisition, (i) Yu Jianren held the entire equity interest in Aberdeen, and Aberdeen held 26.41% of the equity interest in Wuhan Chenming, a non-wholly-owned subsidiary of the Company; (ii) Yu Jianlong held the entire equity interest in VNN, and VNN held 8.32% of the equity interest in Wuhan Chenming; and (iii) the Company held 65.21% of the equity interest in Wuhan Chenming. After the completion of the Acquisition, the Company will indirectly own the entire equity interests in Aberdeen and VNN, and the Group will own in aggregate 99.85% of the equity interest in Wuhan Chenming. Aberdeen and VNN will become wholly-owned subsidiaries of the Company.

As Yu Jianren, through its wholly-owned subsidiary Aberdeen, holds 26.41% of the equity interest in Wuhan Chenming, a non-wholly-owned subsidiary of the Company, before the Acquisition, Aberdeen is a substantial shareholder of Wuhan Chenming and Yu Jianren is an associate of Aberdeen. Therefore, Yu Jianren is a connected person of the Company at the subsidiary level.

VI Directors' Report

XXXIII. Connected Transactions (*Cont'd*)

2. Acquisition of the Entire Equity Interests in Wuhan Chenming's Shareholders Aberdeen and VNN (*Cont'd*)

The Board considers that the acquisition of the entire equity interests in the Target Companies by the Company through Chenming Overseas, thereby realising the acquisition of the minority interest in Wuhan Chenming, will help strengthen the Company's operation and management of Wuhan Chenming, ensure the continuous and stable operation of Wuhan Chenming, and further integrate the resources of the Group's principal businesses, which will help enhance the Company's profitability and comprehensive competitiveness and maximise economic benefits. The Board considers that Equity Transfer Agreement and the terms of the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

For details, please refer to the Company's announcements dated 21 December 2020 and 8 January 2021.

Unless otherwise stated, capitalised terms used in the section "2. Acquisition of the Entire Equity Interests in Wuhan Chenming's Shareholders Aberdeen and VNN" shall bear the same meanings as those defined in the announcement dated 21 December 2020.

Save as disclosed above, the Company had no other connected transactions during the year.

XXXIV. Major Investment, Acquisition and Disposal

During the year ended 31 December 2020, the Group entered into the following major transaction agreements.

1. Entering into of Limited Partnership Agreement for the Establishment of Dingkun Asset

On 23 December 2020, Jinan Hengzhen Investment Management Co., Ltd. (as the general partner), Jiangxi Chenming Paper Co., Ltd. (as a limited partner) and Wuhan Chenming Hanyang Paper Holdings Co., Ltd. (as a limited partner) have entered into a partnership agreement for the establishment of Shandong Dingkun Asset Management Partnership (Limited Partnership) ("Dingkun Asset"). After the establishment of Dingkun Asset, it will become a subsidiary of the Company, and the Company will hold a total of 99.90% of subscribed capital in Dingkun Asset, the financial information of which will be consolidated into the consolidated statements of the Group. For details, please refer to the announcement of the Company dated 24 December 2020.

2. Entering into of Limited Partnership Agreement for the Establishment of Changjiang Chenming Equity Investment Fund

On 23 December 2020, Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd. (as the general partner) has entered into a partnership agreement with Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership) and Zhanjiang Chenming Paper Pulp Co., Ltd. (as limited partners) for the establishment of Changjiang Chenming Equity Investment Fund. After the establishment of Changjiang Chenming Equity Investment Fund, its financial information will be consolidated into the consolidated statements of the Group. Changjiang Chenming Equity Investment Fund focuses on investing in papermaking and related industries, including subscription of the newly-increased registered capital of Huanggang Chenming of RMB2 billion for the Huanggang Chenming Phase II Project. For details, please refer to the announcement of the Company dated 24 December 2020.

VII Material Matters

I. Profit distribution for ordinary shares of the Company and conversion of capital reserves into share capital

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

☒ Applicable ☐ Not applicable

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

Implementation of the 2019 profit distribution plan for ordinary shareholders: Based on the number of the ordinary shares as at the dividend distribution registration date of 2,984,208,200 shares, a cash dividend of RMB1.465828 (tax inclusive) was paid to ordinary shareholders for every 10 shares held and there was no increase of share capital from reserves. The total cash dividend distributed amounted to RMB437,433,593.74. The dividend distribution was implemented and completed on 18 August 2020. For details, please refer to the Dividend Adjustment and Payment of Final Dividend and Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders published on Hong Kong Stock Exchange on 5 August 2020 and 10 August 2020, respectively, and the Announcement on the Implementation of the 2019 Profit Distribution Plan for A Shares and B Shares published on CNINFO on 11 August 2020.

Particulars of Cash Dividend Policy

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

The dividend distribution plans for ordinary shares (proposed) and the proposals on conversion of capital reserves into share capital (proposed) over the past three years (the reporting period inclusive)

(1) The 2020 profit distribution plan for ordinary shares

On 25 March 2021, the Company convened the eighth meeting of the ninth session of the Board, at which the proposed 2020 profit distribution plan was considered and approved. Based on the total number of ordinary shares of the Company as at the end of 2020 of 2,984,208,200 shares, a cash dividend of RMB1.85 (tax inclusive) was to be paid to ordinary shareholders for every 10 shares held. No bonus shares would be issued and there was no increase of share capital from reserves. The cash dividend distributed to ordinary shareholders amounted to RMB552,078,517.00. In the event of changes in the total share capital of the Company before the dividend distribution registration date, the total profits distribution shall remain unchanged while the percentage of allocation will be adjusted accordingly.

VII Material Matters

I. Profit distribution for ordinary shares of the Company and conversion of capital reserves into share capital (Cont'd)

(2) The 2019 profit distribution plan for ordinary shares

On 19 June 2020, the Company convened the 2019 general meeting, at which the proposed 2019 profit distribution plan was considered and approved. Based on the total number of ordinary shares of the Company as at the end of 2019 of 2,904,608,200 shares, a cash dividend of RMB1.5 (tax inclusive) was to be paid to ordinary shareholders for every 10 shares held. No bonus shares would be issued and there was no increase of share capital from reserves. The cash dividend distributed to ordinary shareholders amounted to RMB435,691,230 (tax inclusive).

Between the disclosure and implementation of the Company's 2019 profit distribution plan, the Company carried out the 2020 Restricted A Share Incentive Scheme, pursuant to the Company issued an additional 79,600,000 A shares which were listed on 15 July 2020, increasing the total ordinary share capital of the Company to 2,984,208,200 shares. In accordance with the principle of "fixed amount of cash dividends, bonus shares and conversion of capital reserves into share capital" stipulated by the Guidelines for the Standardised Operation of Companies Listed on the Shenzhen Stock Exchange 《深圳證券交易所上市公司規範運作指引》, the Company has adjusted the amount of dividend per share under the 2019 profit distribution plan as such: based on the latest total number of ordinary shares of the Company of 2,984,208,200 shares, a cash dividend of RMB1.465828 (tax inclusive) was to be paid to ordinary shareholders for every 10 shares held. The cash dividend distributed to ordinary shareholders amounted to RMB437,433,593.74 (tax inclusive).

(3) The 2018 profit distribution plan for ordinary shares

On 11 June 2019, the Company convened the 2018 annual general meeting, at which the 2018 profit distribution plan was considered and approved: based on the number of the shares as at the end of 2018 of 2,904,608,200 shares, a cash dividend of RMB2.4 (tax inclusive) was to be paid to all ordinary shareholders for every 10 shares held. The total cash dividend distributed to ordinary shareholders amounted to RMB697,105,968 (tax inclusive).

Cash dividends for ordinary shares of the Company over the past three years (the reporting period inclusive)

Unit: RMB

Year of distribution	Amount of cash dividends (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated financial statements during the year of distribution	Amount of cash dividend as a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements	Amount of cash dividends through other means such as share repurchase	Ratio of cash Dividends distribution through other means in net profit attributable to ordinary shareholders of the Company in the consolidated financial statements	Total cash dividend (including through other means)	Total cash dividend (including through other means) as a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements
2020	552,078,517.00	1,712,029,078.52	32.25%	0.00	0.00%	552,078,517.00	32.25%
2019	437,433,593.74	1,656,566,584.88	26.41%	0.00	0.00%	437,433,593.74	26.41%
2018	697,105,968.00	2,509,828,858.47	27.78%	0.00	0.00%	697,105,968.00	27.78%

VII Material Matters

I. Profit distribution for ordinary shares of the Company and conversion of capital reserves into share capital (*Cont'd*)

(3) The 2018 profit distribution plan for ordinary shares (*Cont'd*)

The Company made a profit and had positive retained profit available for ordinary shareholders of parent company during the reporting period without cash dividend for ordinary shares being proposed

☐ Applicable ☒ Not applicable

II. Profit distribution and conversion of capital reserves into share capital during this reporting period

☒ Applicable ☐ Not applicable

Numbers of bonus share per 10 shares (share(s))	0
Dividend distribution per 10 shares (RMB) (tax inclusive)	Cash dividend of RMB1.85 (tax inclusive) per 10 shares to ordinary shareholders and cash dividend of RMB1.85 (tax inclusive) per 10 simulated shares converted from Preference Shares into ordinary shares to holders of the second and third tranches of Preference Shares
Conversion per 10 shares (share(s))	0
Share base of the distribution proposal (shares)	2,984,208,200 ordinary shares and 589,005,236 simulated shares converted from the second and third tranches of Preference Shares on a conversion ratio of 1 Preference Share valued at RMB3.82; the share base of the distribution proposal was 3,573,213,436 shares.
Cash dividend (RMB) (tax inclusive)	661,044,485.66
Amount of cash dividend distribution through other means such as share repurchase (RMB)	0
Total cash dividend including other means (RMB)	661,044,485.66
Distributable profits (RMB)	9,999,764,028.74
Percentage of cash dividend (including other means) to total profits distribution	100%

Cash dividend policy

For profit distribution of companies which are fully developed with significant capital expenditure arrangement, the percentage for cash dividend shall represent at least 40% of the profits distribution for the current year

VII Material Matters

II. Profit distribution and conversion of capital reserves into share capital during this reporting period (Cont'd)

Particulars of profit distribution and conversion of capital reserves into share capital

The audited consolidated net profit attributable to shareholders of the Company for 2020 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB1,712,029,078.52. When deducting the interest on Perpetual Bonds of RMB171,776,438.36 and fixed dividend on Preference Shares of RMB214,425,000.00 for 2020, the distributable profit realised for 2020 amounted to RMB1,325,827,640.16.

In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, based on the total ordinary share capital of 2,984,208,200 shares and the 589,005,236 simulated ordinary shares converted from the second and third tranches of Preference Shares using a conversion ratio of 1 share valued at RMB3.82as at the end of 2020, a cash dividend of RMB1.85 (tax inclusive) per 10 shares will be distributed to ordinary shareholders; a cash dividend of RMB1.85 (tax inclusive) per 10 simulated ordinary shares converted from the Preference Shares will be distributed to holders of the second and third tranches of Preference Shares. No bonus shares will be issued and there is no increase of share capital from reserves. A cash dividend of RMB552,078,517.00 will be distributed to ordinary shareholders and a variable cash dividend of RMB108,965,968.66 will be distributed to holders of the second and third tranches of Preference Shares. In other words, a cash dividend of RMB4.84 (tax inclusive) per Preference Share with a nominal value of RMB100 each will be distributed to holders of the second and third tranches of Preference Shares. In the event of changes in the total share capital of the Company before the dividend distribution registration date, the total profits distribution shall remain unchanged while the percentage of allocation will be adjusted accordingly.

VII Material Matters

III. Performance of undertakings

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

√ Applicable □ Not applicable

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

VII Material Matters

III. Performance of undertakings (Cont'd)

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

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Chenming Holdings Co., Ltd.	Defective properties	(1) According to the plan on defective properties of the Company, Chenming Holdings Co., Ltd. ("Chenming Holdings") has guaranteed and undertaken that: according to the application of the Company, for defective property(ies) owned by the Company and its holding subsidiary company which situated in the administrative area of Shouguang city, Chenming Holdings will purchase it (them) and have it(them) being transferred to itself pursuant to the law in accordance with the result of the related asset valuation if the Company decides to transfer and dispose of it(them) and there is no other transferee; (2) before the Company transfers and disposes of the defective properties pursuant to the law, if the Company suffers any economic losses due to the defects of the title (including but not limited to damages, penalties and relocation costs), Chenming Holdings will bear such economic losses; (3) during the regulatory process taken to the defective properties of buildings and land of subsidiaries of the Company situated outside the local areas (outside the administrative area of Shouguang city), the economic losses such as penalties or relocation costs imposed by competent administrative authorities to be borne by the subsidiaries arising from defects of insufficient title documents shall be paid pursuant to the law by Chenming Holdings after verification.	16 January 2008	During the period when Chenming Holdings was the major shareholder of the Company	Implementing as normal
	Shandong Chenming Paper Holdings Limited	Specific remedial measures for non-public issuance of Preference Shares	In view of the impacts on dilution of current returns for ordinary shareholders under the Preference Shares issuance, and in order to implement the Notice of the General Office of the State Council on Further Strengthening Protection of the Lawful Rights of Small Investors in Capital Markets, protect the interests of ordinary shareholders and provide remedies for the possible dilution on current returns as a result of Preference Shares issuance, the Company has undertaken that it will implement various measures to ensure the effective utilisation of proceeds raised, which can prevent dilution on current returns effectively, thereby enhancing future returns.	25 March 2016	9999-12-31	Implementing as normal
Equity incentive undertakings						
Whether undertakings performed on time						Yes

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

☐ Applicable ☒ Not applicable

VII Material Matters

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

VI. Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

☒ Applicable ☐ Not applicable

The Company has been implementing the Accounting Standard for Business Enterprises No. 13 promulgated by the Ministry of Finance since 1 January 2020, for which the prospective application method is applied.

VII. Reason for retrospective restatement to correct major accounting errors during the reporting period

☐ Applicable ☒ Not applicable

There were retrospective restatements to correct major accounting errors of the Company during the reporting period.

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

☒ Applicable ☐ Not applicable

During the reporting period, the scope of consolidation had 8 newly established subsidiaries, namely Chenming (Overseas) Co., Ltd., Chenming (Singapore) Co., Ltd., Qingdao Chenming Import and Export Trade Co., Ltd., Hainan Chenming Technology Co., Ltd., Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership), Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd., Shandong Dingkun Asset Management Partnership (Limited Partnership) and Huanggang Chenming Paper Technology Co., Ltd. During the year, one subsidiary was consolidated without constituting business, namely Shanghai Herui Investment Co., Ltd.; and one subsidiary was incorporated via acquisition, namely Kunshan Tuoan Plastic Products Co., Ltd.

During the reporting period, 3 companies were reduced from the scope of consolidation: Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd. was absorbed and consolidated into the Company, while Qingdao Chenming International Logistics Co., Ltd. and Shouguang Chenming Industrial Logistics Co., Ltd. were disposed as to 100% equity interest. Accordingly, such companies were excluded from the scope of consolidation.

VII Material Matters

IX. Engagement or dismissal of accounting firms

Current accounting firm engaged

Name of the domestic accounting firm	Grant Thornton (Special General Partnership)
Remuneration of the domestic accounting firm (RMB' 0,000)	330
Continued term of service of the domestic accounting firm	2
Name of certified public accountants of the domestic accounting firm	Liu Jian and Jiang Lei
Continued term of service of certified public accountants of the domestic accounting firm	1

Whether to appoint another accounting firm during the period

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

During the year, the Company engaged Grant Thornton (Special General Partnership) as the auditor for internal control of the Company for 2020. The Company paid RMB800,000 as internal control audit fees during the period. The Company engaged Shanghai Realize Investment Consulting Co., Ltd. as its financial advisor due to the implementation of 2020 Restricted A Share Incentive Scheme. The Company paid RMB500,000 as financial advisory fees during the period.

X. Suspension in trading or delisting upon publication of annual report

☐ Applicable ☒ Not applicable

XI. Matters related to bankruptcy and reorganisation

☐ Applicable ☒ Not applicable

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

VII Material Matters

XII. Material litigation and arbitration

√ Applicable □ Not applicable

General information on the litigation (arbitration)	Amount involved (RMB' 0,000)	Whether provisions are made	Progress	Trial results and impact	Enforcement of judgment	Date of disclosure	Disclosure index
Statutory demand and winding-up petition	HK\$389,112,432.44	Yes	<p>1. The Company appealed against the order of Justice Harris dated 14 June 2017 on 12 July 2017. The hearing was completed at the Court of Appeal of the High Court of the HKSAR on 11 May 2018. At the conclusion of the hearing, the court indicated that a date will be set to hand down the judgment. On 5 August 2020, the Court of Appeal of the High Court of the HKSAR made the judgment to dismiss the appeal of the Company.</p> <p>2. On 9 October 2018, the Company served an arbitration notice to Arjowiggins HKK2 Limited ("HKK2") in respect of controversies over the joint venture established by the Company and HKK2, requesting HKK2 to return the accounting books and relevant records of the joint venture, and compensate for the arbitration costs. On 5 August 2020, the Hong Kong International Arbitration Centre made the final ruling.</p>	<p>1. On 5 August 2020, the Court of Appeal of the High Court of the HKSAR made the judgment to dismiss the appeal of the Company.</p> <p>2. On 5 August 2020, the Hong Kong International Arbitration Centre made the final ruling as follows: ① HKK2 is in possession and control of the accounting books and records of the joint venture. ② HKK2 shall transfer the accounting books and records of the joint venture to the compulsory liquidation group of the joint venture, namely the Shandong branch of Yongtuo Certified Public Accountants (Special General Partnership), within 21 days from the date of final ruling (i.e. 5 August 2020). ③ Security for costs under the custody of Hong Kong International Arbitration Centre shall be returned to the Company. ④ Both parties shall split the arbitration costs other than legal representation and assistance fees.</p>	Not applicable	19 August 2020 and 22 August 2020	http://www.cninfo.com.cn

VII Material Matters

XIII. Punishment and rectification

√ Applicable ☐ Not applicable

Name	Type	Reason	Investigation and punishment type	Conclusion, if any	Disclosure date	Disclosure index
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Excessive discharge of water pollutants and improper sludge disposal	Environmental penalties	<p>① In the second half of 2019, Nanchang Ecological Environment Bureau conducted routine environmental inspections to Jiangxi Chenming. As a result of excessive suspended solid concentration at the at the main water drain of Jiangxi Chenming, the Environmental Protection Bureau imposed three administrative penalties to Jiangxi Chenming amounting to RMB1.203 million.</p> <p>② Prior to June 2018, Guo XX, Li XX and Tao XX undertook the outward transportation of industrial solid waste, namely sludge, produced in the course of Jiangxi Chenming's production. Such sludge was illegally dumped. The Intermediate People's Court of Nanchang Municipality, Jiangxi Province held that Jiangxi Chenming as well as the four persons involved, including Pang XX, had poor legal awareness. Jiangxi Chenming was negligent in the environmental supervision of sludge disposal, and the business undertakers failed to legally dispose of the sludge. As such, Jiangxi Chenming was fined RMB3 million for polluting the environment. Jiangxi Chenming has completed the process of harmless sludge disposal and ecological restoration of the dumping location in accordance with the time schedule and passed the inspections by relevant governmental apartments and Jiangxi Environmental Protection Expert Acceptance Review Committee. With compliant waste water discharge and all penalties paid, Jiangxi Chenming has resumed normal production and operation, and the incident did not have any material impact on the Company's profit for the period or subsequent periods.</p>	Not applicable	Not applicable
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Excessive discharge of water pollutants	Environmental penalties	During an environmental protection inspection of Zhanjiang Chenming, Zhanjiang Ecological Environment Bureau found that the rainwater discharge outlet of the rainwater channel in the Zhanjiang Chenming factory area had excessive discharge of water pollutants. Therefore, Zhanjiang Chenming was fined RMB1 million. As of the date of the report, the above violation has been corrected and the fine has been paid.	Not applicable	Not applicable

Rectification

√ Applicable ☐ Not applicable

VII Material Matters

XIII. Punishment and rectification (Cont'd)

1. Rectification measures of Zhanjiang Chenming

In light of the pollution, Zhanjiang Chenming thoroughly reflected its operations and immediately investigated the cause of the incident and implemented accountability. To ensure that environmental issues are directly managed by company leaders, a member of the management was designated to specifically address environmental protection matters, which further replenished the manpower for environmental management. Zhanjiang Chenming also strictly complied with the requirements under the Notice on Further Strengthening Environmental Management and Protection 《關於進一步加強環境管理環境工作的通知》. It has adopted the following rectification measures:

- (1) Sandbags and other means were used to prevent the outflow of water pollutants, which are recycled in the sewage treatment system, and the rainwater gutter was thoroughly cleaned.
- (2) Cleaning of the reservoir was immediately suspended to reconnect the sludge pipe directly to the sewage system, forfeiting recycling through the rainwater gutter.
- (3) Production of the causticisation section, where the green liquid tank was located, was immediately shut down to build additional cofferdam and sewage backwater pump to the tank area, as well as building a valve to the entrance where the green liquid flows to the main rainwater gutter.
- (4) Repair was conducted on the recovery pump and the gate of the rainwater gutter, while adding another recovery pump at the front of the gate equipped with emergency backup sandbags.
- (5) Retrospective assessment was conducted on the existing contingency plan for environmental emergencies, which has been filed.
- (6) Environmental management systems such as the Rain and Sewage Separation Management System 《雨污分流管理制度》 were revised to enhance training and implementation. Patrolling is arranged from time to time to strictly prohibit production wastewater from entering the rainwater collection system. Each chief officer of the branch factories is responsible for such tasks, and an environmental management specialist is designated to assist the chief officer in the environmental management of the branch.
- (7) On 14 May 2020, a cooperation agreement was entered into with King & Wood Mallesons, the legal advisor to the Ministry of Ecology and Environment, pursuant to which King & Wood Mallesons is entrusted to comprehensively seek and locate existing environmental hazards within the Company from the perspective of the Central Environmental Inspector and offer the most optimal solutions.

VII Material Matters

XIII. Punishment and rectification (Cont'd)

2. Rectification measures of Jiangxi Chenming

- (1) Adjusted its water treatment technique, refined dosing operation, increased sludge press quality, and established, among others, monitoring response mechanism for water quantity and water standard at the middle water section designed to respond to changes in BTMP ingredient ratio and load. As a result, Jiangxi Chenming proved qualified on all indicators during two spontaneous sampling inspections conducted by Nanchang Ecological Environment Bureau and the environmental monitor station as well as a scheduled sampling inspection conducted by a third party. Based on such results, Nanchang Ecological Environment Bureau determined that the rectification for out-of-limit waste water (SS standard) of Jiangxi Chenming had been completed.
- (2) After installing 50 surface aerators at the south and north aeration tanks, Jiangxi Chenming further installed 10 jet aeration devices for both tanks in order to increase dissolved oxygen, and carried out in-depth technical modifications to the aeration tanks to increase efficient jet aeration. All indicators were above-standard after multiple sampling and monitoring.
- (3) Immediately initiated harmless sludge disposal and ecological restoration of the dumping location in strict compliance with the laws, regulations and government requirements. After vigorous efforts in reducing losses and eliminating pollution, the harmless sludge disposal and ecological restoration processes have been completed. Jiangxi Chenming has passed the inspections of relevant government departments and the joint acceptance review committee consisting of environmental experts in Jiangxi Province, and the polluted land has been declared unpolluted after on-site inspections by environmental protection departments.
- (4) Strengthened the online inspection and monitoring system and the machine-controlled early warning system; focused on improving the quality and training of full-time environmental protection management personnel at all levels; strictly implemented the qualification standards and education on the environmental protection laws and regulations, with regular appraisal and incentives to raise environmental awareness and sense of responsibility across the board, with strict compliance with relevant laws and regulations.

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

☐ Applicable ☒ Not applicable

VII Material Matters

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

☒ Applicable ☐ Not applicable

1. On 30 March 2020, the ninth extraordinary meeting of the ninth session of the Board of the Company considered and approved the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary, the Resolution in Relation to the Assessment Management Measures for the Implementation of the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited, and the Resolution in Relation to the Authorisation Granted by the General Meeting to the Board to Deal with Matters Relating to the Share Incentive Scheme of the Company. On the same date, the fourth extraordinary meeting of the ninth session of the Supervisory Committee of the Company considered and approved the above resolutions and verified the list of proposed participants of the incentive scheme. Independent Directors of the Company issued independent opinions on the incentive scheme.
2. On 3 April 2020, the Company announced the list of participants through the Company's internal website for a period from 3 April 2020 to 12 April 2020. During the period, the Supervisory Committee of the Company and relevant departments did not receive any objection against the proposed participants. The Supervisory Committee verified the list of participants under the grant of the incentive scheme.
3. On 15 May 2020, the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary, the Resolution in Relation to the Assessment Management Measures for the Implementation of the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited, and the Resolution in Relation to the Authorisation Granted by the General Meeting to the Board to Deal with Matters Relating to the Share Incentive Scheme of the Company were considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company. On 16 May 2020, the Company disclosed the Self-Examination Report for the Trading of Shares of the Company by Insiders and Participants of the 2020 Restricted A Share Incentive Scheme.
4. On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company, approving the issue of 79,600,000 restricted A shares to 111 participants at the price of RMB2.85 per share on 29 May 2020. The independent Directors of the Company issued independent opinions thereon, agreed that the Board shall make adjustments to the list of proposed participants and the number of shares to be granted, and considered that the participants were legally and validly qualified and that the grant date determined was in compliance with relevant requirements.
5. On 28 June 2020, Grant Thornton issued a Capital Verification Report (Zhi Tong Yan Zi (2020) No. 371ZC00199), in which they verified the Company's subscription contribution status for the share incentive scheme as of 23 June 2020, and considered that:
6. On 15 July 2020, the 79,600,000 restricted A shares granted to the participants were listed.

For details, please refer to 2020 Restricted A Share Incentive Scheme (Draft), Assessment Management Measures for the Implementation of the 2020 Restricted A Share Incentive Scheme, the Announcement on Approval of 2020 Restricted A Share Incentive Scheme by State-owned Assets Supervision and Administration Office of the People's Government of Shouguang City, the Announcement on Grant of Restricted Shares to Participants, and the Announcement on Completion of Registration of the Grant under the 2020 Restricted A Shares Incentive Scheme published on CNINFO on 31 March, 6 May, 8 May, 16 May, 30 May and 9 July 2020, respectively.

VII Material Matters

XVI. Significant related party transactions

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

☒ Applicable ☐ Not applicable

Related party	Related party relationship	Types of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transaction	Related party transaction price	Amount of related party transactions (RMB' 0,000)	Percentage	Amount of transactions approved (RMB' 0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
							as the amount of similar transactions						
Jiangxi Jiuyu Energy Co., Ltd.	Director and Senior Management of the Company served as the director and senior management of the company during the past twelve months	Procurement	Natural gas, heavy oil, etc.	Market price	Market price	25,516	64.45%	60,000	No	Bank acceptance and telegraphic transfer	Not applicable	30 March 2020	http://www.cninfo.com.cn
Total			-	-		25,516	-	60,000	-	-	-	-	-
Particulars on refund of bulk sale													None
Actual implementation during the reporting period of day-to-day related party transactions with estimated total amounts that would take place during the period, by category (if any)													None
Reason for the significant difference between transaction price and market reference price (if applicable)													Not applicable

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

☐ Applicable ☒ Not applicable

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

3. Related party transaction connected to joint external investment

☐ Applicable ☒ Not applicable

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

VII Material Matters

XVI. Significant related party transactions (Cont'd)

4. Related creditors' rights and debts transactions

☒ Applicable ☐ Not applicable

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

☒ Yes ☐ No

Debts payable to any related party:

Related party	Relationship with the Company	Reason	Opening balance (RMB' 0,000)	Amount increased during the current period (RMB' 0,000)	Amount recovered during the current period (RMB' 0,000)	Interest rate	Interest for the current period (RMB' 0,000)	Closing balance (RMB' 0,000)
CHENMING HOLDINGS COMPANY LIMITED	The controlling shareholder of the Company	Financial support	70,844.09	66,030.00	136,874.09	Market interest rate	756.32	0.00
Guangdong Nanyue Bank Co., Ltd.	An associate of the Company	Borrowing	294,897.00	131,666.40	254,896.94	Market interest rate	9,677.43	171,666.46
Effect of related debts on the operating results and financial position of the Company		Financial support is provided by Chenming Holdings without requiring any pledge or guarantee, which is a testament to its support and confidence in the future development of the Company, and helps the Company promote project construction and satisfy its needs for working capital.						

Creditor's rights receivable from related parties

Related party	Relationship with the Company	Reason	Were there any non-operating capital occupation	Opening balance (RMB' 0,000)	Amount increased during the current period (RMB' 0,000)	Amount recovered during the current period (RMB' 0,000)	Interest rate	Interest for the current period (RMB' 0,000)	Closing balance (RMB' 0,000)
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture of the Company	Financial support	No	0.00	1,630.72	0.00	6.00%	34.17	1,630.72
Weifang Sime Darby West Port Co., Ltd.	A joint venture of the Company	Financial support	No	6,445.65	0.00	0.00	6.00%	401.96	6847.61
Effect of related creditors' rights on the operating results and financial position of the Company			The above creditors' rights do not affect the ordinary operation of the Company. Moreover, they have catered to the needs for development of existing businesses of Shouguang Meite Environmental and Weifang Sime Darby West Port and lowered the financing costs.						

5. Other significant related party transactions

☐ Applicable ☒ Not applicable

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

VII Material Matters

XVII. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

☐ Applicable ☒ Not applicable

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

(2) Contracting

☐ Applicable ☒ Not applicable

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

(3) Leasing

☐ Applicable ☒ Not applicable

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

2. Significant guarantees

☒ Applicable ☐ Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB7,697.6500, million. The subsidiaries provided guarantee to their subsidiaries and the guarantee amount incurred was RMB1,044.3103 million.

As at 31 December 2020, the balance of the external guarantee provided by the Company (including the guarantee to its subsidiaries by the Company and the guarantee provided to subsidiaries by subsidiaries) amounted to RMB13,107.0798 million, representing 53.99% of the equity attributable to shareholders of the Company as at the end of 2020.

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

There were no guarantees in violation of regulations.

Unit: RMB'0,000

External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)								
Name of obligee	Date of the related Announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Weifang Sime Darby West Port Co., Ltd.	24 July 2017	17,500.00	20 December 2017	12,480.00	General guarantee	10 years	No	No
Zhanjiang Runbao Trading Co., Ltd.	4 December 2020	16,000.00	4 December 2020	16,000.00	Pledge	2 years	No	No
Zhanjiang Dingjin Trading Co., Ltd.	4 December 2020	13,558.19	4 December 2020	13,558.19	Pledge	2 years	No	No
Total external guarantees approved during the reporting period (A1)		29,558.19	Total actual external guarantees during the reporting period (A2)					29,558.19
Total external guarantees approved at the end of the reporting period (A3)		47,058.19	Balance of total actual guarantees at the end of the reporting period (A4)					42,038.19

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Name of obligee	Date of the related Announcement disclosing the guarantee amount	Guarantees between the Company and its subsidiaries					Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14 June 2018	200,000.00	12 July 2019	485,993.49	General guarantee	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	1,088,000.00			General guarantee	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 March 2020	160,000.00			General guarantee	5 years	No	No
Shandong Chenming Group Finance Co., Ltd.	30 March 2019	500,000.00			General guarantee	5 years	No	No
Shandong Chenming Paper Sales Co., Ltd.	30 March 2019	600,000.00	9 March 2020	120,372.86	General guarantee	5 years	No	No
Shandong Chenming Financial Leasing Co., Ltd	26 March 2015	100,000.00			General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd	30 March 2016	300,000.00			General guarantee	7 years	No	No
Shanghai Chenming Financial Leasing Co., Ltd.	14 February 2018	50,000.00			General guarantee	3 years	No	No
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	14 February 2018	50,000.00			General guarantee	3 years	No	No
Guangzhou Chenming Financial Leasing Co., Ltd.	14 February 2018	50,000.00			General guarantee	3 years	No	No
Shandong Chenming Commercial Factoring Co., Ltd.	14 February 2018	200,000.00			General guarantee	3 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	26 March 2015	400,000.00	5 January 2017	92,628.00	General guarantee	7 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2016	550,000.00			General guarantee	7 years	No	No
Jiangxi Chenming Paper Co., Ltd.	14 June 2018	50,000.00	28 June 2019	164,253.48	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2019	350,000.00			General guarantee	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	30 March 2019	100,000.00	9 July 2020	48,191.77	General guarantee	5 years	No	No

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Name of obligee	Date of the related Announcement disclosing the guarantee amount	Guarantees between the Company and its subsidiaries					Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term		
Shouguang Meilun Paper Co., Ltd.	27 March 2020	400,000.00			General guarantee	5 years	No	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	18 October 2019	100,000.00	6 August 2020	3,000.00	General guarantee	3 years	No	No
Chenming (HK) Limited	14 June 2018	250,000.00	23 April 2018	42,738.10	General guarantee	3 years	No	No
Chenming (HK) Limited	30 March 2019	500,000.00			General guarantee	5 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	30 March 2019	50,000.00			General guarantee	5 years	No	No
Jilin Chenming Paper Co., Ltd.	30 March 2019	150,000.00	16 March 2020	2,000.00	General guarantee	5 years	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd	30 March 2019	10,000.00			General guarantee	5 years	No	No
Nanchang Chenming Arboriculture Development Co., Ltd.	27 March 2020	10,000.00			General guarantee	3 years	No	No
Shandong Chenming Panels Co., Ltd.	14 June 2018	3,000.00			General guarantee	3 years	No	No
Shanghai Chenming Industrial Co., Ltd	11 October 2018	400,000.00			General guarantee	3 years	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2019	300,000.00	11 May 2020	1,500.00	General guarantee	5 years	No	No
Shanghai Hongtai Real Estate Co., Ltd.	27 March 2020	140,000.00			General guarantee	10 years	No	No
Shanghai Hongtai Property Management Co., Ltd.	27 March 2020	10,000.00			General guarantee	5 years	No	No
Chenming (Overseas) Co., Ltd.	27 March 2020	100,000.00			General guarantee	5 years	No	No
Chenming (Singapore) Co., Ltd.	27 March 2020	100,000.00			General guarantee	5 years	No	No
Hainan Chenming Technology Co., Ltd.	4 December 2020	40,000.00	11 December 2020	38,000.00	General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		960,000.00	Total amount of guarantee provided for subsidiaries during the reporting period (B2)					769,765.00
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		7,311,000.00	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					998,677.70

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Name of obligee	Date of the related Announcement disclosing the guarantee amount	Guarantees between subsidiaries					Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term		
Chenming (HK) Limited	30 March 2019	200,000.00	2 April 2019	165,561.06	Guarantee provided	5 years	No	No
Chenming (HK) Limited	30 March 2019	100,000.00	30 July 2019	9,431.03	Guarantee provided	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	7 August 2020	12,000.00	7 August 2020	12,000.00	Guarantee provided	1 year	No	No
Shouguang Meilun Paper Co., Ltd.	4 December 2020	20,000.00	4 December 2020	20,000.00	Pledge	2 years	No	No
Shouguang Meilun Paper Co., Ltd.	4 December 2020	42,400.00	4 December 2020	42,400.00	Pledge	3 years	No	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	4 December 2020	3,000.00	4 December 2020	600.00	Pledge	3 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	4 December 2020	20,000.00	4 December 2020	20,000.00	Pledge	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		97,400.00	Total amount of guarantee provided for subsidiaries during the reporting period (C2)					104,431.03
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		397,400.00	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)					269,992.09
Total amount of guarantee provided (i.e. sum of the above three guarantee amount)								
Total amount of guarantee approved during the reporting period (A1+B1+C1)		1,086,958.19	Total amount of guarantee during the reporting period (A2+B2+C2)					903,754.22
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		7,755,458.19	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)					1,310,707.98
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company								53.99%
Of which:								
Balance of guarantee provided for shareholders, beneficial controllers and its related parties (D)								0
Balance of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)								159,872.86
Total amount of guarantee provided in excess of 50% of net assets (F)								96,859.54
Sum of the above three amount of guarantee (D+E+F)								256,732.40

VII Material Matters

XVII. Material contracts and implementation *(Cont'd)*

2. Significant guarantees *(Cont'd)*

(2) External guarantees against the rules and regulations

☐ Applicable ☒ Not applicable

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

3. Entrusted cash and asset management

(1) Entrusted wealth management

☐ Applicable ☒ Not applicable

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

(2) Entrusted loans

☐ Applicable ☒ Not applicable

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

4. Material contracts in day-to-day operation

☐ Applicable ☒ Not applicable

5. Other material contracts

☐ Applicable ☒ Not applicable

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

XVIII. Fulfilment of Social Responsibility

1. Fulfilment of social responsibility

We have always been grateful for all our blessings, without forgetting our aspiration. For a long time, the Company has constantly adhered to the development goal of “the industry serving the country and giving back to society”. Guided by “creating high-quality paper products and sincerely returning to society”, while pursuing the maximisation of value, we insist on green development, participate in public welfare activities, deeply integrate social responsibility and corporate vision as well as mission and values, create greater value for stakeholders, thus becoming a world-class papermaking enterprise group that shoulders greater responsibility.

Standardising the Company’s operation and protecting the rights and interests of shareholders. The Company strictly abides by the requirements of the “Company Law”, “Securities Law”, “Articles of Association” and other relevant laws and regulations, improves the corporate governance structure, and establishes an organisation with shareholders’ general meeting, the Board and the Supervisory Committee as power, decision-making and supervision in combination with the actual situation of the Company. The organisation and the management have clearly defined powers and responsibilities, with each performing their own duties, effective checks and balances, scientific decision-making, coordinated operation, continuously enhance the Company’s operation management and standard operation level, and protect the legitimate rights and interests of all shareholders in a practical manner. During the reporting period, the Company adopted a combination of on-site and online voting to convene a shareholders’ general meeting in order to ensure that all shareholders, especially small and medium shareholders, enjoy equal status, enabling them to effectively participate in and fully exercise their voting rights. At the same time, while achieving growth and development, the Company attaches great importance to returns to investors, and insists on sharing the Company’s business development results with investors. The Company has distributed cash dividends to shareholders for eighteen consecutive years since 2003. During the reporting period, the Company implemented the 2019 profit distribution plan, and distributed cash dividends of RMB437,433,593.74 to ordinary shareholders and cash dividends of RMB172,676,073.42 to preferred shareholders, effectively safeguarding the legitimate rights and interests of all shareholders of the Company and providing all shareholders with stable return on investments.

Practicing green development and adhering to environmental protection first. The Company has been actively practicing the concept of “turquoise waters and verdant mountains are invaluable assets”. Relying on advanced production technology and manufacturing equipment, extensive experience in waste management and a variety of complete treatment systems, the Company unswervingly embarks on a novel industrialisation path with high technology content, low resource consumption and less environmental pollution, and vigorously implements a green and low-carbon strategy to achieve a “win-win” situation between economic, social and ecological benefits. The Company took the lead in exploring black liquor resource recovery technology, launched the largest alkali recycling project in the domestic paper industry, and built the first domestic medium-pressure steam generator with the utilisation of alkali furnaces which could save 750,000 tons of standard coal per annum, with the alkali recovery rate reaching 99.8%; adopted the world’s most advanced osmosis and filtration technology to recycle greywater, with a conversion rate of up to 75% or above, and the standard of treated greywater is up to drinking water standard, which could save 170,000 cubic meters of clean water on a daily basis. The Company insists on reduction from the source of production and implements the “horizontally and vertically accessible” full-process control, thereby achieving low consumption with low emissions, as well as recirculation with reduction. It vigorously develops circular economy, comprehensively implements clean production, implements on-site 6S management, and achieves the Company’s goal of “energy saving, consumption reduction, pollution reduction and efficiency enhancement”, becoming a benchmark for environmentally-friendly and resource-saving enterprise. During the reporting period, the Company was awarded the honorary title of “2020 Environmental and Socially Responsible Enterprise”.

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

1. Fulfilment of social responsibility (Cont'd)

Adhering to the principle of people-orientation and promoting employee development. The Company always upholds the “people-oriented” concept, and regards the benefit of employees as the driving force and foothold of the Company’s development. It fully implements safety production management, intensifies safety production inspections through continuous refinement of safety production standards, and carries out production safety education, training and other campaigns for employees on an irregular basis in order to ensure the health and safety of employees. In addition, it builds an equal development platform for employees by establishing and improving internal regulations and systems as well as optimising performance reward rules, and implements diversified training to improve employees’ vocational skills, forming a strong atmosphere of “mass entrepreneurship and innovation”. Meanwhile, the Company focuses on enriching the spare-time life of employees, promotes work-life balance, provides employees with living place, establishes an employee mutual aid foundation to help employees in need, and enhances the sense of happiness among staff. During the reporting period, the Company organised basketball games, speech contests, Mid-Autumn Festival Gala, New Year’s Day Gala and other labour union activities to enrich employees’ spare time life and enhance their sense of belonging. At the same time, the Company implemented an A-share restricted stock incentive plan to grant A shares to 111 incentive targets based on the principle of “equivalent benefits and contributions”, and realised the combination of medium to long-term incentive mechanism and talent development strategy, promoting the high-quality development of the Company.

Enthusiastic support for charity and bravely shouldering social responsibilities. While adhering to meeting social needs with high-quality products, the Company focuses on building harmonious and friendly public relations, actively engages in charity activities, fulfils social responsibilities and creates social value. In recent years, the Company has actively participated in charitable projects such as “Sunrise Aid for Education”, “Sunset Assistance to Elderly”, “Aid for the Disabled”, “Rehabilitation and Medical Assistance”, and “Daily Donation with Compassion”, as well as disaster relief including rescue activities in the Wenchuan Earthquake, Yushu Earthquake and Shouguang Flood. The Municipal Party Committee and the municipal government of Weifang and Shouguang have successively awarded the Company the “Most Caring Charity Enterprise”, and Mr. Chen Hongguo, the chairman of the Group, the honorary title of the “Most Caring Charity Person”. During the reporting period, in the nationwide battle against the novel coronavirus pneumonia, Chenming Group has made contributions and donations of more than RMB13 million in total, demonstrating the great love of “heart-to-hands and mutual assistance”. And it joins hands with the People’s Education Agency and the Chinese media to organise the charity donation activity of “sharing the fragrance of books in supporting the charity” for the Jiangxi Sanqingshan School, and fully advances the “soul casting project”.

Society is the soil for cultivating the development of enterprises, and enterprises cannot attain sustainable development without the care and support of all sectors of society. The Company will always keep its mission in mind and shoulder the responsibilities. While focusing on the main business and strengthening the industry, the Company insists on putting the protection of the rights and interests of shareholders, customers and employees, and the promotion of social welfare development as the corporate value that it pursues. It continuously increases investment in charity and public welfare, and injects positive energy into economic and social development as well as the revitalisation of the national paper industry with a strong sense of responsibility and mission.

2. Fulfilment of social responsibility regarding targeted poverty relief

The Company did not commence any work regarding targeted poverty relief.

VII Material Matters

VIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters

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

Yes

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Huanggang Chenming Pulp & Paper Co., Ltd.	Smoke	Organised emission	2	Within factory area	Alkali fumace: 7.13 mg/m ³ Lime kiln: 5.54mg/m ³	Alkali fumace: 30 mg/m ³ Lime kiln: 200mg/m ³	Alkali fumace: 20.21t Lime kiln: 3.77t	Alkali fumace: 124.357 t Lime kiln: 26.44 t	No
	Sulphur dioxide	Organised emission	2	Within factory area	Alkali fumace: 7.03 mg/m ³ Lime kiln: 54.59mg/m ³	Alkali fumace: 200 mg/m ³ Lime kiln: 850mg/m ³	Alkali fumace: 19.03t Lime kiln: 36.34t	Alkali fumace: 321.193 t Lime kiln: 158.304 t	No
	Nitrogen oxide	Organised emission	1	Within factory area	152.14 mg/m ³	200 mg/m ³	463.17t	950.882 t	No
	COD	Organised emission	1	Within factory area	53.22 mg/L	150 mg/L	369.93t	563.72t	No
	Ammonia nitrogen	Organised emission	1	Within factory area	0.99 mg/L	14 mg/L	6.41t	40.12t	No
Shandong Chenming Paper Holdings Limited	COD	Organised emission	2	Chenming Industrial Park	180mg/L	300mg/L	3279.9t	6510.74t	No
	Ammonia nitrogen	Organised emission	2	Chenming Industrial Park	4.05mg/L	30 mg/L	78.69t	650.7t	No
	Sulphur dioxide	Organised emission	2	Chenming Industrial Park	5.27mg/m ³	35mg/m ³	20.51t	163.74t	No
	Nitrogen oxide	Organised emission	2	Chenming Industrial Park	32.65mg/m ³	50mg/m ³	119.07t	233.91t	No
	Smoke	Organised emission	2	Chenming Industrial Park	0.87mg/m ³	5mg/m ³	3.11t	23.39t	No
Shouguang Meilun Paper Co., Ltd.	Sulphur dioxide	Organised emission	4	Chenming Industrial Park	Power plant: 8.39mg/m ³ Alkali fumace: 2.19 mg/m ³ Lime kiln: 5.81mg/m ³	Power plant: 35mg/m ³ Alkali fumace: 50 mg/m ³ Lime kiln: 50 mg/m ³	85.23t	423.11t	No
	Nitrogen oxide	Organised emission	4	Chenming Industrial Park	Power plant: 32.7mg/m ³ Alkali fumace: 77.1 mg/m ³ Lime kiln: 9.68 mg/m ³	Power plant: 50mg/m ³ Alkali fumace: 100 mg/m ³ Lime kiln: 100 mg/m ³	1059.54t	1363.59t	No
	Smoke	Organised emission	4	Chenming Industrial Park	Power plant: 0.9mg/m ³ Alkali fumace: 1.55 mg/m ³ Lime kiln: 1.57 mg/m ³	Power plant: 5mg/m ³ Alkali fumace: 10 mg/m ³ Lime kiln: 10 mg/m ³	23.74t	138.06t	No
	COD	Organised emission	1	East of the factory area	23mg/L	80mg/L	57.9149t	184.3t	No
	Ammonia nitrogen	Organised emission	1	East of the factory area	1 mg/L	8 mg/L	1.8738t	17.3t	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Sulphur dioxide	Organised emission	2	Within Qianneng Electric Power factory area	130t/h fumace: 7.97 mg/m ³ 75t/h fumace: 3.27mg/m ³	50mg/m ³	7.5779t	102.58t	No
	Nitrogen oxide	Organised emission	2	Within Qianneng Electric Power factory area	130t/h fumace: 74.99mg/m ³ 75t/h fumace: 61.99mg/m ³	100 mg/m ³	73.938t	205.16t	No
	Smoke	Organised emission	2	Within Qianneng Electric Power factory area	130t/h fumace: 3.15mg/m ³ 75t/h fumace: 2.49mg/m ³	20mg/m ³	3.0288t	41.032t	No
	COD	Organised emission	1	At the boundary of factory area	25.75mg/L	90mg/L	230.696t	1260t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.19mg/L	8mg/L	10.844t	112t	No
Jiangxi Chenming Paper Co., Ltd.	Sulphur dioxide	Organised emission	2	At the boundary of factory area	72.34mg/m ³	200mg/m ³	328.325t	806t	No
	Nitrogen oxide	Organised emission	2	At the boundary of factory area	83.56mg/m ³	200mg/m ³	383.415t	806t	No
	Smoke	Organised emission	2	At the boundary of factory area	5.94mg/m ³	30mg/m ³	27.311t	135t	No
	COD	Organised emission	1	At the boundary of factory area	48.02mg/l	90mg/l	200.19t	357t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.37mg/l	8mg/l	4.49t	34t	No
Jilin Chenming Paper Co., Ltd.	Sulphur dioxide	Organised emission	1	Within factory area	6.98mg/m ³	100mg/m ³	4.638t	97t	No
	Nitrogen oxide	Organised emission	1	Within factory area	32.60mg/m ³	100mg/m ³	21.673t	213t	No
	Smoke	Organised emission	1	Within factory area	11.76mg/m ³	30mg/m ³	7.82t	51.66t	No

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Zhanjiang Chenming Pulp & Paper Co., Ltd.	COD	Organised emission	1	Within factory area	44.151mg/L	90mg/L	750.573t	1943t	No
	Ammonia nitrogen	Organised emission	1	Within factory area	1.138mg/L	8mg/L	19.408t	43.9t	No
	Total phosphorus	Organised emission	1	Within factory area	0.246mg/L	0.8mg/L	4.160t	21.36t	No
	Total nitrogen	Organised emission	1	Within factory area	5.587mg/L	12mg/L	94.040t	320.4t	No
	Smoke	Organised emission	5	Within factory area	Alkali recovery: 15.786mg/m ³ Power plant 1#: 6.043mg/m ³ Power plant 2#: 5.428mg/m ³ Power plant 3#: 5.006mg/m ³ Power plant 4#: 3.387mg/m ³	Alkali recovery: 30mg/m ³ 1#2#3# circulating fluidised bed boilers: 30mg/m ³ 4# circulating fluidised bed boilers: 10mg/m ³	183.592t	196t	No
	Sulphur dioxide	Organised emission	5	Within factory area	Alkali recovery: 11.818mg/m ³ Power plant 1#: 7.507mg/m ³ Power plant 2#: 6.872mg/m ³ Power plant 3#: 9.564mg/m ³ Power plant 4#: 3.775mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3# circulating fluidised bed boilers: 100mg/m ³ 4# circulating fluidised bed boilers: 35mg/m ³	190.464t	620t	No
	Nitrogen oxide	Organised emission	5	Within factory area	Alkali recovery: 153.633mg/m ³ Power plant 1#: 13.608mg/m ³ Power plant 2#: 18.036mg/m ³ Power plant 3#: 20.734mg/m ³ Power plant 4#: 18.710mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3# circulating fluidised bed boilers: 100mg/m ³ 4# circulating fluidised bed boilers: 50mg/m ³	1,326.078t	2,168.70t	No

Construction and operation of facilities for pollution prevention and control

- (1) The Company and its subsidiaries strictly comply with laws, regulations and relevant rules regarding environmental protection of the central and local government. The construction of projects strictly adheres to the “three simultaneities” on environmental protection. In order to ensure pollutants are discharged strictly in accordance with the requirements under laws and regulations and disposed properly, production and operation strictly comply with the national Law on the Prevention and Control of Environmental Pollution, Law on the Prevention and Control of Water Pollution, Law on the Prevention and Control of Air Pollution, Action Plan for Prevention and Control of Water Pollution and Law on the Prevention and Control of Environmental Pollution by Solid Waste and other laws.
- (2) Both the Company and its subsidiaries are equipped with comprehensive environmental protection treatment facilities. The pre-treatment-aerobic-anaerobic-in-depth treatment technology is the major technology for water treatment, which can achieve standardised discharge of wastewater. Moreover, subsidiaries are equipped with recycling system for process effluent, and reuse treated wastewater to the greatest extent in order to minimise pollution. The Company has constructed a total of 9 water treatment plants, with daily treatment capacity of 350,000 m³. In addition, governmental authority will regularly visit the Company to conduct comparison of online monitoring data every quarter. All data meets the standards.

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Construction and operation of facilities for pollution prevention and control (Cont'd)

- (3) Each subsidiary's organised emission outlets are equipped with an online monitoring system for real-time monitoring. All subsidiaries have their own power plants. Each self-owned plant has its own environmental protection facilities for de-dusting, desulphurisation and denitrification. Denitrification is conducted through SCR or SNCR, while desulphurisation is primarily conducted through gypsum desulphurisation (ammonia desulphurisation is adopted in the self-owned plant of Jiangxi Chenming). Substantially all of the emissions indicators are below the national and local execution standards. Other alkali recovery boilers and lime kilns are also in compliance with the emission standards.

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

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

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

Emergency plan for emergency environmental incidents

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

Environmental self-monitoring programme

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

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

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Other environmental information to be disclosed

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

Other environmental protection related information

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

XIX. Other matters of significance

☒ Applicable ☐ Not applicable

1. Approval of registration of super & short-term commercial paper

On 16 February 2020, the super & short-term commercial paper issue of the Company was registered and approved by the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2020] No. SCP27) of the National Association of Financial Market Institutional Investors. The super & short-term commercial paper of the Company approved for registration amounted to RMB7 billion, and the registered amount was valid for 2 years from the issue date of the notice, and can be issued in tranches during the effective term of the registration.

For details, please refer to the relevant announcement (announcement no.: 2020-005) of the Company published on CNINFO on 17 February 2020.

2. Implementation of the 2020 restricted A shares incentive scheme

For details, please refer to XV. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company in VII Material Matters of this report.

3. Completion of implementation of the plan for the increase in shareholding of the controlling shareholder

Due to its confidence in the Company's future business growth and development prospects, as at 9 September 2020, the implementation of the plan for the increase in shareholding of Chenming Holdings Company Limited, the Company's controlling shareholder, was completed. Chenming Holdings cumulatively increased its shareholding in the Company by 17,817,434 A shares through centralised bidding on the Shenzhen Stock Exchange trading system, representing 0.6% of the Company's total share capital. In aggregate, the increase in shareholding amounted to RMB100,118,100.

For details, please refer to the relevant announcement (announcement no.: 2020-087) of the Company published on CNINFO on 10 September 2020.

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2020

Announcement No.	Subject matter	Date of publication	Publication website and index
2020-001	Announcement on Resolutions of the Seventh Extraordinary Meeting of the Ninth Session of the Board	8 January 2020	http://www.cninfo.com.cn
2020-002	Announcement on the Establishment of Overseas Subsidiaries by Foreign Investment	8 January 2020	http://www.cninfo.com.cn
2020-003	Announcement on Pledge of Shareholders' Shares	22 January 2020	http://www.cninfo.com.cn
2020-004	Announcement on External Donations to Support the Fight Against the Novel Coronavirus Pneumonia	8 February 2020	http://www.cninfo.com.cn
2020-005	Announcement on Approval of Registration of Super & Short-term Commercial Paper	18 February 2020	http://www.cninfo.com.cn
2020-006	The First Indicative Announcement on the Adjustment of the Coupon Rate of "18 Chenming Bond 01" and Repurchase Measure for Bondholders	19 February 2020	http://www.cninfo.com.cn
2020-007	Announcement on Resolutions of the Eighth Extraordinary Meeting of the Ninth Session of the Board	22 February 2020	http://www.cninfo.com.cn
2020-008	Announcement on Resolutions of the Third Extraordinary Meeting of the Ninth Session of the Supervisory Committee	22 February 2020	http://www.cninfo.com.cn
2020-009	Announcement on Delay in Increase of Shares of the Company by the Controlling Shareholder	22 February 2020	http://www.cninfo.com.cn
2020-010	Notice of 2020 First Extraordinary General Meeting	22 February 2020	http://www.cninfo.com.cn
2020-011	The Second Indicative Announcement on the Adjustment of the Coupon Rate of "18 Chenming Bond 01" and Repurchase Measure for Bondholders	21 February 2020	http://www.cninfo.com.cn
2020-012	The Third Indicative Announcement on the Adjustment of the Coupon Rate of "18 Chenming Bond 01" and Repurchase Measure for Bondholders	25 February 2020	http://www.cninfo.com.cn
2020-013	Announcement on Repurchase Report of Investor of "18 Chenming Bond 01"	28 February 2020	http://www.cninfo.com.cn
2020-014	Announcement on the Continued Pledge of Shares held by Shareholders	7 March 2020	http://www.cninfo.com.cn
2020-015	Announcement on the Distribution of Dividend of Preference Share	10 March 2020	http://www.cninfo.com.cn
2020-016	Announcement on Resolution of the 2020 First Extraordinary General Meeting	10 March 2020	http://www.cninfo.com.cn
2020-017	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Ninth Session of the Board	28 March 2020	http://www.cninfo.com.cn
2020-018	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Ninth Session of the Supervisory Committee	28 March 2020	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2020 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2020-019	2019 Annual Report Summary	28 March 2020	http://www.cninfo.com.cn
2020-020	Notice of 2019 Annual General Meeting	28 March 2020	http://www.cninfo.com.cn
2020-021	Announcement on Appointment of Auditor for 2020	28 March 2020	http://www.cninfo.com.cn
2020-022	Announcement on the Cancellation of Guarantee Amount for Some Subsidiaries and the Expected Increase in New Guarantee Amount	28 March 2020	http://www.cninfo.com.cn
2020-023	Announcement on the Estimated Day-to-day Related Party Transactions for 2020	28 March 2020	http://www.cninfo.com.cn
2020-024	Announcement on Financial Assistance from a Subsidiary to Its Investee	28 March 2020	http://www.cninfo.com.cn
2020-025	Supplemental Announcement on Estimated Day-to-day Related Party Transactions for 2020	30 March 2020	http://www.cninfo.com.cn
2020-026	Announcement of Resolutions of the Ninth Extraordinary Meeting of the Ninth Session of the Board	31 March 2020	http://www.cninfo.com.cn
2020-027	Announcement of Resolutions of the Fourth Extraordinary Meeting of the Ninth Session of the Supervisory Committee	31 March 2020	http://www.cninfo.com.cn
2020-028	Notice of 2020 Second Extraordinary General Meeting	31 March 2020	http://www.cninfo.com.cn
2020-029	Notice of 2020 First Class Meeting for Holders of Domestic-listed Shares and 2020 First Class Meeting for Holders of Overseas Listed Shares	31 March 2020	http://www.cninfo.com.cn
2020-030	Announcement on Public Solicitation of Voting Rights by Independent Directors	31 March 2020	http://www.cninfo.com.cn
2020-031	Announcement on Receipt of Government Subsidies by Subsidiaries	31 March 2020	http://www.cninfo.com.cn
2020-032	Announcement on Repurchase Report on Bondholders of "18 Chenming Bond 01"	31 March 2020	http://www.cninfo.com.cn
2020-033	Announcement on payment of 2020 interest with respect to the first tranche of Corporate Bonds publicly issued to qualified investors in 2018	31 March 2020	http://www.cninfo.com.cn
2020-034	Announcement on Pledge of Shares held by Shareholders	7 April 2020	http://www.cninfo.com.cn
2020-035	Announcement on Estimated Results for First Quarter of 2020	14 April 2020	http://www.cninfo.com.cn
2020-036	Announcement on the Release of Pledge of Shares held by Shareholders	15 April 2020	http://www.cninfo.com.cn
2020-037	Reply to the inquiry letter of Shenzhen Stock Exchange Regarding Annual Report	17 April 2020	http://www.cninfo.com.cn
2020-038	2020 First Quarterly Report	21 April 2020	http://www.cninfo.com.cn
2020-039	Announcement on Result of the Issue of 2020 First Tranche of Super & Short-term Commercial Paper	24 April 2020	http://www.cninfo.com.cn
2020-040	Announcement on Postponement of Resale of "18 Chenming Bond 01" Corporate Bonds	30 April 2020	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2020 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2020-041	Announcement on Approval of 2020 Restricted A Share Incentive Scheme by the State-owned Assets Supervision and Administration Bureau of Shouguang City	6 May 2020	http://www.cninfo.com.cn
2020-042	The Explanation on the Status of Announcement and Review Opinions of the Supervisory Committee Regarding the List of Participants under 2020 Restricted A Share Incentive Scheme	8 May 2020	http://www.cninfo.com.cn
2020-043	Self-Examination Report for the Trading of Shares of the Company by Insiders and Participants of the 2020 Restricted A Share Incentive Scheme	16 May 2020	http://www.cninfo.com.cn
2020-044	Announcement on Resolutions of 2020 Second Extraordinary General Meeting, 2020 First Class Meeting for Holders of Domestic-listed Shares, and 2020 First Class Meeting for Holders of Overseas Listed Shares	16 May 2020	http://www.cninfo.com.cn
2020-045	Announcement on Receipt of Government Subsidies by Subsidiaries	28 May 2020	http://www.cninfo.com.cn
2020-046	Announcement on Resolutions of the Tenth Extraordinary Meeting of the Ninth Session of the Board	30 May 2020	http://www.cninfo.com.cn
2020-047	Announcement on Resolutions of the Fifth Extraordinary Meeting of the Ninth session of the Supervisory Committee	30 May 2020	http://www.cninfo.com.cn
2020-048	Announcement on Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme	30 May 2020	http://www.cninfo.com.cn
2020-049	Announcement on Grant of Restricted Shares to the Participants	30 May 2020	http://www.cninfo.com.cn
2020-050	Announcement on the Results of Resale of "18 Chenming Bond 01" Bonds	1 June 2020	http://www.cninfo.com.cn
2020-051	Announcement on Pledge of Shares held by Shareholders	6 June 2020	http://www.cninfo.com.cn
2020-052	Explanation on Media Coverage of a Subsidiary	19 June 2020	http://www.cninfo.com.cn
2020-053	Announcement on Resolutions of 2019 Annual General Meeting	20 June 2020	http://www.cninfo.com.cn
2020-054	Announcement on Resolutions of the Eleventh Extraordinary Meeting of the Ninth Session of the Board	20 June 2020	http://www.cninfo.com.cn
2020-055	Announcement on Estimated Securities Investment Quota for 2020	20 June 2020	http://www.cninfo.com.cn
2020-056	Supplemental Announcement on the Poll Results of 2020 Second Extraordinary Meeting, the 2020 First Class Meeting for Holders of Domestic-listed Shares, and 2020 First Class Meeting for Holders of Overseas-listed Shares	20 June 2020	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2020 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2020-057	Announcement on the Release of Pledge of Shares held by Shareholders	1 July 2020	http://www.cninfo.com.cn
2020-058	Announcement on Receipt of Government Subsidies	2 July 2020	http://www.cninfo.com.cn
2020-059	Announcement on the Progress of Receipt of Environmental Protection Relocation Compensation by a Subsidiary	3 July 2020	http://www.cninfo.com.cn
2020-060	Announcement on Receipt of Environmental Protection Incentives by Zhanjiang Chenming	6 July 2020	http://www.cninfo.com.cn
2020-061	Announcement on Completion of Registration of the Grant under the 2020 Restricted A Shares Incentive Scheme	9 July 2020	http://www.cninfo.com.cn
2020-062	Announcement on the Inclusion of the Company on the Credit Rating Watch List by a Credit Rating Agency	9 July 2020	http://www.cninfo.com.cn
2020-063	Announcement of Resolutions of the Sixth Extraordinary Meeting of the Ninth Session of the Supervisory Committee	11 July 2020	http://www.cninfo.com.cn
2020-064	Announcement on Resignation of the Chairman of the Supervisory Committee and By-election of a Supervisor	11 July 2020	http://www.cninfo.com.cn
2020-065	Announcement on Resolutions of the Twelfth Extraordinary Meeting of the Ninth Session of the Board	11 July 2020	http://www.cninfo.com.cn
2020-066	Notice of 2020 Third Extraordinary General Meeting	11 July 2020	http://www.cninfo.com.cn
2020-067	Announcement on Resolution of the Thirteenth Extraordinary Meeting of the Ninth Session of the Board	18 July 2020	http://www.cninfo.com.cn
2020-068	Announcement on Capital Increase and the Introduction of a Strategic Investor by a Holding Subsidiary	18 July 2020	http://www.cninfo.com.cn
2020-069	Announcement on the Continued Pledge of Shares held by Shareholders	25 July 2020	http://www.cninfo.com.cn
2020-070	Announcement on Adjustment to Simulated Conversion Price of Preference Shares	25 July 2020	http://www.cninfo.com.cn
2020-071	Announcement on Resolution of the 2020 Third Extraordinary General Meeting	28 July 2020	http://www.cninfo.com.cn
2020-072	Announcement on the Provision of Guarantees for Bank Loans of a Subsidiary by a Wholly-owned Subsidiary	8 August 2020	http://www.cninfo.com.cn
2020-073	Announcement on the Distribution of Dividend for Second Tranche of Preference Share	10 August 2020	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2020 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2020-074	Announcement on the Implementation of the Distribution of Residual Profits of 2019 to Preference Shareholders	11 August 2020	http://www.cninfo.com.cn
2020-075	Announcement on the Implementation of Dividend Distribution to Holders of A Shares and B Shares for 2019	11 August 2020	http://www.cninfo.com.cn
2020-076	2020 Interim Report Summary	11 August 2020	http://www.cninfo.com.cn
2020-077	Announcement in Respect of Resolutions of the Sixth Meeting of the Ninth Session of the Board of Directors	11 August 2020	http://www.cninfo.com.cn
2020-078	Announcement on Huanggang Chenming Phase II Construction Project	11 August 2020	http://www.cninfo.com.cn
2020-079	Notice of 2020 Fourth Extraordinary General Meeting	11 August 2020	http://www.cninfo.com.cn
2020-080	Indicative Announcement	19 August 2020	http://www.cninfo.com.cn
2020-081	Supplemental Announcement on the 2020 Interim Report	19 August 2020	http://www.cninfo.com.cn
2020-082	Announcement on the 2020 Interest Payment of Corporate Bonds (Phase I)	19 August 2020	http://www.cninfo.com.cn
2020-083	Supplemental Announcement in Relation to the Progress of Litigation and Arbitration	22 August 2020	http://www.cninfo.com.cn
2020-084	Announcement on the Establishment of Weifang Chenchuang Sub-Fund with Minmetals Trust and the Investment in a Subsidiary	26 August 2020	http://www.cninfo.com.cn
2020-085	Poll Results Announcement of the 2020 Fourth Extraordinary General Meeting	28 August 2020	http://www.cninfo.com.cn
2020-086	Announcement on the Continued Pledge of Shares held by Shareholders	5 September 2020	http://www.cninfo.com.cn
2020-087	Announcement on Completion of Implementation of the Plan for the Increase in Shareholding of the Controlling Shareholder	10 September 2020	http://www.cninfo.com.cn
2020-088	Announcement on the Receipt of Government Subsidy by a Subsidiary	10 September 2020	http://www.cninfo.com.cn
2020-089	Announcement on the Distribution of Dividend for Third Tranche of Preference Share	15 September 2020	http://www.cninfo.com.cn
2020-090	Announcement on the Participation in the Online Investors Collective Reception Day for Listed Companies in Shandong	26 September 2020	http://www.cninfo.com.cn
2020-091	Announcement on Resolutions of the Fourteenth Extraordinary Meeting of the Ninth Session of the Board	30 September 2020	http://www.cninfo.com.cn
2020-092	Announcement on Capital Increase and the Introduction of a Strategic Investor by a Holding Subsidiary	30 September 2020	http://www.cninfo.com.cn
2020-093	Announcement on External Investment	30 September 2020	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

4. Information disclosure index for 2020 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2020-094	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	13 October 2020	http://www.cninfo.com.cn
2020-095	2020 Third Quarterly Report	23 October 2020	http://www.cninfo.com.cn
2020-096	Announcement on Release of Pledge of Shares Held by Shareholders	6 November 2020	http://www.cninfo.com.cn
2020-097	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	6 November 2020	http://www.cninfo.com.cn
2020-098	Announcement in respect of Provision of Guarantee in Favour of Subsidiaries by a Wholly-owned Subsidiary	14 November 2020	http://www.cninfo.com.cn
2020-099	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary	5 December 2020	http://www.cninfo.com.cn
2020-100	Announcement on Resolutions of the Fifteenth Extraordinary Meeting of the Ninth Session of the Board	5 December 2020	http://www.cninfo.com.cn
2020-101	Announcement on the Acquisition of Non-controlling Interest in a Subsidiary and External Guarantee	5 December 2020	http://www.cninfo.com.cn
2020-102	Announcement on the Transfer of Equity to Repay Debt	5 December 2020	http://www.cninfo.com.cn
2020-103	Announcement on External Guarantees	5 December 2020	http://www.cninfo.com.cn
2020-104	Announcement on the Issue of USD Bonds by a Subsidiary and the Provision of Guarantee	5 December 2020	http://www.cninfo.com.cn
2020-105	Notice of 2020 Fifth Extraordinary General Meeting	5 December 2020	http://www.cninfo.com.cn
2020-106	Poll Results Announcement of the 2020 Fifth Extraordinary General Meeting	22 December 2020	http://www.cninfo.com.cn
2020-107	Announcement on Resolutions of the Sixteenth Extraordinary Meeting of the Ninth Session of the Board	24 December 2020	http://www.cninfo.com.cn
2020-108	Announcement on the Cooperation to Establish Changjiang Chenming Equity Investment Fund and Capital Increase of a Subsidiary	24 December 2020	http://www.cninfo.com.cn
2020-109	Announcement on Investment in the Establishment of a Limited Partnership	24 December 2020	http://www.cninfo.com.cn

VII Material Matters

Announcement No.	Subject matter	Date of publication	Publication website and index
2020-110	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary by a Subsidiary	24 December 2020	http://www.cninfo.com.cn
2020-111	Announcement on Receipt of Government Subsidies by the Subsidiary Zhanjiang Chenming	31 December 2020	http://www.cninfo.com.cn
2020-112	Announcement on the Removal of the Company from the Credit Rating Watch List by a Credit Rating Agency	31 December 2020	http://www.cninfo.com.cn

XX. Matters of significant of subsidiaries of the Company

☒ Applicable ☐ Not applicable

1. Outbound investment and establishment of overseas subsidiaries

The Resolution in relation to the Establishment of Overseas Subsidiaries through Outbound Investment was considered and approved at the seventh extraordinary meeting of the ninth session of the Board of the Company on 7 January 2020 to propose to establish Chenming (Overseas) Co., Ltd. and Chenming (Singapore) Co., Ltd..

For details, please refer to the relevant announcement (announcement no.: 2020-002) of the Company published on CNINFO on 8 January 2020.

2. Huanggang Chenming phase II construction project with a focus on the principal activities of pulp production and paper making

The Resolution in relation to the Huanggang Chenming Phase II Construction Project was considered and approved at the fourth extraordinary general meeting of the Company held on 27 August 2020. The planned total investment of the Huanggang Chenming phase II project amounts to RMB12,800 million. 4 paper production lines of annual production capacity of 1.50 million tonnes (including, among other things, cultural paper and white paper board and the paper production of the project will only use self-produced pulp) are proposed to be constructed. The ancillary facilities to be constructed include, among other things, a machine-made pulp production line of annual production capacity of 520,000 tonnes, sewage treatment system, combined heat and power generation project and piers.

In order to support the construction of Huanggang Chenming phase II project and facilitate the development of the principal activities of pulp production and paper making, the Company initiated the establishment of Changjiang Chenming Equity Investment Fund in cooperation with Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership) through the Company's subsidiaries Zhanjiang Chenming and Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd. to increase the capital of Huanggang Chenming by up to RMB2,000.00 million. In addition, upon receipt of the above funds, Huanggang Chenming shall proceed with the capital increase of Huanggang Chenming Paper Technology Co., Ltd., its wholly-owned subsidiary, for the phase II project construction of Huanggang Chenming.

For details, please refer to the relevant announcements (announcement nos.: 2020-077, 2020-078, 2020-085 and 2020-108) of the Company published on CNINFO on 11 August 2020, 28 August 2020 and 24 December 2020.

3. Introduction of a strategic investor by Shouguang Meilun

In order to actively and prudently reduce the gearing ratio of the Company, optimise the capital structure, and enhance the overall capital strength and competitiveness of the Company, Shouguang Meilun, a holding subsidiary of the Company, introduced Dongxing Securities Investment Co., Ltd. to achieve capital increase of RMB300 million.

Chenming GDR Fund initiated the establishment of Chenchuang Fund in cooperation with Minmetals Investment Management Co., Ltd., Chenming (Qingdao) Asset Management Co., Ltd. and Minmetals International Trust Co., Ltd.. Chenchuang Fund intended to increase the capital of Shouguang Meilun by instalments with the entire paid-in capital contributions, and the amount of capital increase shall not exceed RMB900 million.

For details, please refer to the relevant announcements (announcement nos.: 2020-068 and 2020-092) of the Company published on CNINFO on 18 July 2020 and 30 September 2020.

VIII Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amount	Percentage	New issue	Bonus issue	Converted from reserves	Others	Subtotal	Amount	Percentage
I. Restricted shares	10,580,524	0.36%	79,600,000	0	0	95,800	79,695,800	90,276,324	3.03%
1. Shares held by other domestic investors	10,580,524	0.36%	79,600,000	0	0	95,800	79,695,800	90,276,324	3.03%
Of which: Shares held by domestic natural persons	10,580,524	0.36%	79,600,000	0	0	95,800	79,695,800	90,276,324	3.03%
II. Non-restricted shares	2,894,027,676	99.64%	0	0	0	-95,800	-95,800	2,893,931,876	96.97%
1. RMB ordinary shares	1,659,337,160	57.13%	0	0	0	-95,800	-95,800	1,659,241,360	55.60%
2. Domestic listed foreign shares	706,385,266	24.32%	0	0	0	0	0	706,385,266	23.67%
3. Overseas listed foreign shares	528,305,250	18.19%	0	0	0	0	0	528,305,250	17.70%
III. Total number of shares	2,904,608,200	100.00%	79,600,000	0	0	0	79,600,000	2,984,208,200	100.00%

The reasons for such changes

☒ Applicable ☐ Not applicable

- ① According to the Practice Guidance for the Company's Shares Held by the Directors, Supervisors and Senior Management of the Listed Companies of Shenzhen Stock Exchange, during the reporting period, 34,925 restricted RMB ordinary shares (A shares) held by Directors and senior management who resigned became non-restricted shares; and 130,725 unrestricted RMB ordinary shares (A shares) additionally acquired by the Company's Directors, Supervisors and senior management became restricted shares.
- ② On 15 July 2020, 79,600,000 A Shares under the 2020 Restricted Share Incentive Scheme granted to the motivated personnel were issued and listed, and the company's restricted sale of shares increased by 79,600,000 shares.

Approval of changes in shareholding

☒ Applicable ☐ Not applicable

For details, please refer to XV. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company in V Material Matters.

Transfer of shares arising from changes in shareholding

☐ Applicable ☒ Not applicable

Progress of share repurchase

☐ Applicable ☒ Not applicable

VIII Changes in Share Capital and Shareholders

I. Changes in shares (Cont'd)

1. Changes in shares (Cont'd)

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

2. Changes in restricted shares

☒ Applicable ☐ Not applicable

Unit: share

Name of shareholders	Restricted shares at the beginning of period	Restricted shares increased during the period	Restricted shares released during the period	Restricted shares at the end of period	Reason for restriction	Date of release from restriction
Chen Gang	139,700		34,925	104,775	Locked-up shares of Directors, Supervisors and Senior Management	Under relevant requirements for shares held by Directors, Supervisors and Senior Management
Li Dong	56,250	18,750	0	75,000	Locked-up shares of Directors, Supervisors and Senior Management	Under relevant requirements for shares held by Directors, Supervisors and Senior Management
Li Kang	0	111,975	0	111,975	Locked-up shares of Directors, Supervisors and Senior Management	Under relevant requirements for shares held by Directors, Supervisors and Senior Management
The participants of the 2020 Restricted A Share Incentive Scheme	0	79,600,000	0	79,600,000	Restricted share of the participants of the Share Incentive Scheme	Restricted shares released in accordance with the equity incentive plan (draft)
Total	195,950	79,730,725	34,925	79,891,750	—	—

VIII Changes in Share Capital and Shareholders

II. Issuance and listing of securities

1. Issuance of securities (excluding Preference Shares) during the reporting period

☒ Applicable ☐ Not applicable

Name of share and its derivative	Issue date	Issue price (or interest rate)	Amount issued	Listing date	Amount approved for listing and trading	Last transaction date for transaction	Disclosure index	Date of disclosure
Type of shares								
Restricted Share under Incentive Scheme	15 July 2020	RMB2.85 per share	79,600,000	15 July 2020	79,600,000	N/A	http://www.cninfo.com.cn/	9 July 2020

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

☒ Applicable ☐ Not applicable

Resolutions including the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary were considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company. On 29 May 2020, resolutions including the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Board of Director of the Company to grant 79,600,000 restricted A Shares to 111 participants. The shares were issued and listed on 15 July 2020. The total number of shares of the Company increased from 2,904,608,200 shares to 2,984,208,200 shares. For details, please refer to XV. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company in VII Material Matters.

3. Existing staff shares

☐ Applicable ☒ Not applicable

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers

1. Total number of shareholders and shareholdings

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	119,948, of which 98,300 were holders of A shares, 21,290 were holders of B shares and 358 were holders of H shares	Total number of ordinary shareholders as at the end of the month prior to the publication date of this annual report	113,916, of which 94,363 were holders of A shares, 19,210 were holders of B shares and 343 were holders of H shares	Total number of holders of Preference Shares with restored voting right as at the end of the reporting period	0	Total number of holders of Preference Shares with restored voting right as at the end of the month prior to the disclosure date of the annual report	0
---	---	--	---	---	---	--	---

Shareholdings of shareholders interested in more than 5% of the shares of the Company or Top 10 shareholders

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the Reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up Status of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.32%	457,322,919	11,926,791	0	457,322,919	Pledge	238,470,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.51%	373,359,125	195,250	0	373,359,125	-	-
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.20%	364,131,563	0	0	364,131,563	-	-
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.02%	60,206,850	0	0	60,206,850	-	-
HONG KONG SECURITIES CLEARING COMPANY LIMITED	Overseas legal person	1.14%	34,168,330	20,929,867	0	34,168,330	-	-
Chen Hongguo	Domestic nature person	1.04%	31,080,044	20,000,000	28,310,033	2,770,011	-	-
National Social Security Fund 418	Others	0.63%	18,840,000	15,633,749	0	18,840,000	-	-
Ningbo Asia Paper Tube Carton Co., Ltd. (寧波亞洲紙管紙箱有限公司)	Domestic non-state-owned legal person	0.62%	18,400,000	12,419,854	0	18,400,000	-	-
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.50%	14,771,945	2,156,775	0	14,771,945	-	-
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	13,121,946	209,589	0	13,121,946	-	-

Strategic investors or general legal persons who become the top ten shareholders due to the placement of new shares Nil

Related party relationship or acting in concert among the above shareholders A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. A shareholder, Chen Hongguo, is the legal representative, chairman and general manager of Chenming Holdings Company Limited. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.

Explanation of the aforementioned shareholders' entrusted/ entrusted voting rights and waiver of voting rights Nil

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

1. Total number of shareholders and shareholdings (Cont'd)

Shareholdings of the top ten shareholders of non-restricted shares

Name of shareholders	Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	457,322,919	RMB ordinary shares	457,322,919
HKSCC NOMINEES LIMITED	373,359,125	Overseas listed foreign shares	373,359,125
CHENMING HOLDINGS (HONG KONG) LIMITED	364,131,563	Domestic listed foreign shares	210,717,563
		Overseas listed foreign shares	153,414,000
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	60,206,850	RMB ordinary shares	60,206,850
HONG KONG SECURITIES CLEARING COMPANY LIMITED	34,168,330	RMB ordinary shares	34,168,330
National Social Security Fund 418	18,840,000	RMB ordinary shares	18,840,000
Ningbo Asia Paper Tube Carton Co., Ltd. (寧波亞洲紙管紙箱有限公司)	18,400,000	RMB ordinary shares	18,400,000
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,771,945	Domestic listed foreign shares	14,771,945
VANGUARD EMERGING MARKETS STOCK INDEX FUND	13,121,946	Domestic listed foreign shares	13,121,946
Basic Pension Insurance Fund 1,208 Portfolio	10,717,400	RMB ordinary shares	10,717,400
Related party relationship or acting in concert among the top ten shareholders of non – restricted shares, and between the top ten shareholders of non-restricted shares and the top ten shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.		
Securities margin trading of top 10 ordinary shareholders	Chenming Holdings Company Limited held 457,322,919 RMB ordinary shares, of which 379,522,919 shares were held through ordinary account and 77,800,000 shares were held through credit guarantee security account. Ningbo Asia Paper Tube Carton Co., Ltd. held 18,400,000 RMB ordinary shares, of which 0 share was held through ordinary account and 18,400,000 shares were held through credit guarantee security account.		

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

1. Total number of shareholders and shareholdings (Cont'd)

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

☐ Yes ☒ No

The top 10 ordinary shareholders and top 10 shareholders of non-restricted shares.

2. Controlling shareholders of the Company

Nature of controlling shareholder: regional state-owned enterprise

Type of controlling shareholder: legal person

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

Change of controlling shareholders during the reporting period

☐ Applicable ☒ Not applicable

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

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

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

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

Type of the beneficial controller: legal person

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

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

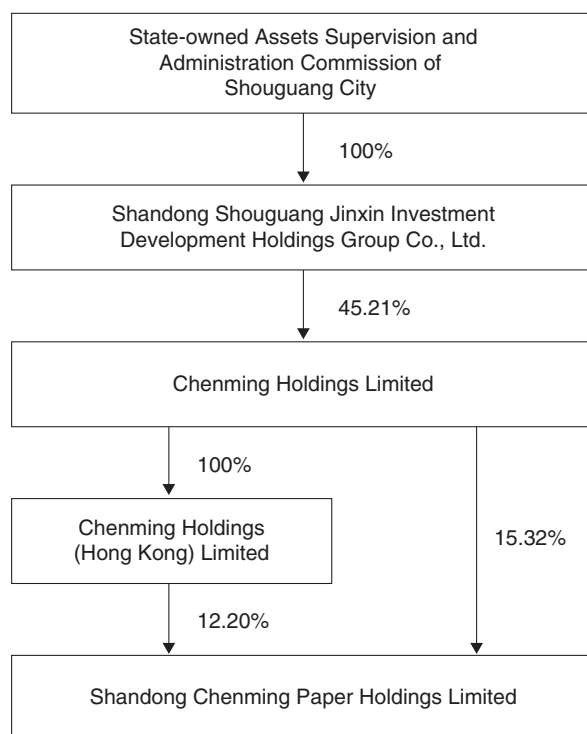
3. Beneficial controller of the Company and persons acting in concert (Cont'd)

Change of beneficial controller during the reporting period

☐ Applicable ☒ Not applicable

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

Chart illustrating the relationship between the Company and the beneficial controller



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

☐ Applicable ☒ Not applicable

4. Other legal person shareholders interested in over 10% of the shares of the Company

☐ Applicable ☒ Not applicable

5. Restrictions on decrease in shareholding by controlling shareholders, beneficial controller, reorganising party and other undertaking parties

☐ Applicable ☒ Not applicable

IX Preference Shares

√ Applicable □ Not applicable

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

√ Applicable □ Not applicable

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

II. Holders of Preference Shares and their shareholdings

Unit: share

Total number of holders of Preference Shares as at the end of the reporting period	8	Total number of holders of Preference Shares as at the end of the month prior to the publication date of this annual report	8
--	---	---	---

8 Holders holdings more than 5% of the Preference Shares of the Company or top ten holders of Preference Shares

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up Status of shares	Number
BEIJING YIBEN ZHONGXING INVESTMENT MANAGEMENT CO., LTD.	Domestic non-state owned legal person	27.78%	12,500,000	0	0	12,500,000	Pledged	12,500,000
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000	0	0	10,100,000		
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000	0	0	6,400,000		
QILU BANK CO., LTD. – QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	13.33%	6,000,000	0	0	6,000,000		
SHANGHAI SHIJIE BUSINESS CONSULTING CO., LTD.	Domestic non-state-owned legal person	9.20%	4,140,100	3,140,100	0	4,140,100		
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	8.89%	4,000,000	– 1,000,000	0	4,000,000		
LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO. 2 ASSET MANAGEMENT PLAN	Others	2.62%	1,179,900	1,179,900	0	1,179,900		

IX Preference Shares

II. Holders of Preference Shares and their shareholdings (Cont'd)

Holders holdings more than 5% of the Preference Shares of the Company or top ten holders of Preference Shares

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up Status of shares	Number
LEAD CAPITAL MANAGEMENT CO., LTD.- LEAD CAPITAL – LI DE YING NO. 1 ASSET MANAGEMENT PLAN	Others	1.51%	680,000	680,000	0	680,000		
Description of different requirements on other terms of Preference Shares held other than dividend distribution and residual property distribution	Nil							
Related party relationship or acting in concert among the top ten holders of Preference Shares, and between the top ten holders of Preference Shares and the top ten ordinary shareholders	The aforesaid holders of Preference Shares, "BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUIJI NO.167 SINGLE CAPITAL TRUST" and "BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUIJI NO.136 SINGLE CAPITAL TRUST", and "LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO.1 ASSET MANAGEMENT PLAN" and "LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO.2 ASSET MANAGEMENT PLAN", are persons acting in concert. Save for the above, it is not aware that whether the remaining holders of Preference Shares are persons acting in concert. It is also not aware that the top ten holders of Preference Shares and the aforesaid ordinary shareholders are related to each other.							

III. Profit distribution for Preference Shares

☒ Applicable ☐ Not applicable

Profit distribution for preference shares during the reporting period

☒ Applicable ☐ Not applicable

Date of Distribution	Dividend Ratio	Distributed amount (RMB) (tax inclusive)	Whether it is in compliance with the conditions and the relevant procedures of distribution	Way of dividend payment	Whether it was an accumulated dividend	Whether it participates in distribution of remaining profit
17 March 2020	4.36%	98,100,000.00	Yes	Cash	No	Yes
17 August 2020	5.17%	51,700,000.00	Yes	Cash	No	Yes
18 August 2020	3.837246%	172,676,073.42	Yes	Cash	No	Yes
21 September 2020	5.17%	64,625,000.00	Yes	Cash	No	Yes

IX Preference Shares

III. Profit distribution for Preference Shares (Cont'd)

Distribution for Preference Shares of the Company for the past three years

Unit: RMB

Year of distribution	Distributed amount (tax inclusive)	Net profit attributable to shareholders of listed company under the consolidated financial statements for the distribution year	Percentage to the net profit attributable to shareholders of listed company under the consolidated financial statements	Explanation on shortfall accumulated to the next accounting year due to insufficient distributable profits or portion can be allocated to remaining profit distribution
2020	323,390,968.66	1,712,029,078.52	18.89%	Chenming You 02 and Chenming You 03 participated in the proposal of remaining profit distribution for RMB108,965,968.66 in 2020.
2019	387,101,073.42	1,656,566,584.88	23.37%	Chenming You 01, Chenming You 02 and Chenming You 03 participated in the proposal of remaining profit distribution for RMB172,676,073.42 in 2019.
2018	493,494,767.52	2,509,828,858.47	19.66%	Chenming You 01, Chenming You 02 and Chenming You 03 participated in the proposal of remaining profit distribution for RMB279,069,767.52 in 2018.

Any adjustment or change in profit distribution policy for preference shares

☐ Yes ☒ No

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

☐ Applicable ☒ Not applicable

Explanation on other matters regarding distribution for preference shares

☒ Applicable ☐ Not applicable

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

IX Preference Shares

III. Profit distribution for Preference Shares *(Cont'd)*

1. Distribution of fixed dividend

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

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

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

IV. Repurchase or conversion

☐ Applicable ☒ Not applicable

There was no repurchase or conversion during the reporting period.

V. Resumption of voting rights of Preference Shares

1. Resumption and exercise of voting rights

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI. Accounting policy and reasons thereof

☒ Applicable ☐ Not applicable

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

X Directors, Supervisors and Senior Management and Staff

I. Changes in shareholding of Directors, Supervisors and Senior Management

Name	Position	Status	Gender	Age	Start date of the term	End date of the term	Shares held as at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Other changes (increase or decrease) (shares)	Shares held as at the end of the period (shares)
Chen Hongguo	Chairman	In office	M	56	6 September 2001	11 June 2022	11,080,044	0	0	20,000,000	31,080,044
Hu Changqing	Vice Chairman	In office	M	55	23 June 2018	11 June 2022	42,857	0	0	5,000,000	5,042,857
Li Xingchun	Vice Chairman	In office	M	55	11 June 2019	11 June 2022	0	0	0	5,000,000	5,000,000
Li Feng	Director	In office	M	47	19 June 2020	11 June 2022	906,027	0	0	3,000,000	3,906,027
	General manager				9 November 2019	9 November 2021					
Han Tingde	Director	In office	M	52	11 June 2019	11 June 2022	0	0	0	0	0
Li Chuanxuan	Director	In office	M	43	11 June 2019	11 June 2022	0	0	0	0	0
Sun Jianfei	Independent Director	In office	M	48	11 June 2019	11 June 2022	0	0	0	0	0
Yin Meiqun	Independent Director	In office	F	50	11 June 2019	11 June 2022	0	0	0	0	0
Yang Biao	Independent Director	In office	M	41	11 June 2019	11 June 2022	0	0	0	0	0
Li Kang	Supervisor	In office	F	39	27 July 2020	11 June 2022	149,300	0	0	0	149,300
Pan Ailing	Supervisor	In office	F	56	11 June 2019	11 June 2022	0	0	0	0	0
Zhang Hong	Supervisor	In office	F	56	11 June 2019	11 June 2022	0	0	0	0	0
Li Xinggui	Supervisor	In office	M	56	11 June 2019	11 June 2022	0	0	0	0	0
Qiu Lanju	Supervisor	In office	F	47	11 June 2019	11 June 2022	0	0	0	0	0
Li Xueqin	Deputy general manager	In office	F	55	1 September 2004	11 June 2022	861,322	0	0	3,000,000	3,861,322
Geng Guanglin	Deputy general manager	In office	M	47	11 June 2019	11 June 2022	716,950	0	0	2,000,000	2,716,950
Li Weixian	Deputy general manager	In office	M	39	6 November 2019	11 June 2022	240,200	0	0	2,000,000	2,240,200
Li Zhenzhong	Deputy general manager	In office	M	47	20 March 2011	11 June 2022	113,000	0	0	2,000,000	2,113,000
Zhao Xuegang	Deputy general manager	In office	M	48	11 June 2019	11 June 2022	0	0	0	0	0
Dong Lianming	Financial controller	In office	M	46	12 October 2018	11 June 2022	69,600	0	0	1,000,000	1,069,600
Yuan Xikun	Secretary to the Board	In office	M	35	16 May 2018	11 June 2022	44,700	0	0	300,000	344,700
Chu Hon Leung	Hong Kong company secretary	In office	M	38	11 June 2019	11 June 2022	0	0	0	0	0
Li Dong	Supervisor	Resigned	M	38	13 December 2016	27 July 2020	75,000	0	0	0	75,000
Total	—	—	—	—	—	—	14,299,000	0	0	43,300,000	57,599,000

X Directors, Supervisors and Senior Management and Staff

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

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Li Feng	Director, General manager	Elected	19 June 2020	Elected as a Director of the ninth session of the Board at the 2019 annual general meeting.
Li Kang	Supervisor	Elected	27 July 2020	Elected as a Supervisor of the Supervisory Committee of the Company at the third extraordinary general meeting in 2019.
Li Dong	Supervisor	Resignation	27 July 2020	Resignation from the position due to personal reasons.

III. Employment

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

1. Brief biographies of Directors

(1) Brief biographies of executive Directors

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

Mr. Hu Changqing is a member of the Communist Party of the PRC. He holds a bachelor's degree. He joined the Company in 1988. He had held various positions in the Company such as the chief of the technological reform department, the chief officer of branch factory, the deputy general manager and the Director. He is currently a director of Chenming Holdings Company Limited and a vice chairman of the Company.

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

X Directors, Supervisors and Senior Management and Staff

III. Employment (*Cont'd*)

1. Brief biographies of Directors (*Cont'd*)

(1) Brief biographies of executive Directors (*Cont'd*)

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

(2) Brief biographies of non-executive Directors

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

Mr. Li Chuanxuan holds a doctorate in law. He is a professor at Fudan University, Shanghai. From 2008 to 2012, he was a lecturer in the Law School of Fudan University. From 2012 to 2013, he was a visiting scholar of the Law School of Columbia University in the United States, focusing on the research on green finance laws and policies. He is currently the secretary general of the Association of Shanghai Environmental Resources Law (上海市環境資源法研究會), the director of the Association of China Environmental Resources Law (中國環境資源法研究會), the director of the Association of Shanghai Economic Law (上海市經濟法研究會), as well as the evaluation expert of the National Judicial Verification of Environmental Damages (國家環境損害司法鑒定). He has been selected into Shanghai Pujiang Talent Program. He has been in charge of and undertook over 10 national and provincial scientific research projects. Moreover, he has participated in the drafting of several laws and regulations of different legislatures including the Standing Committee of the National People's Congress, the Ministry of Ecology and Environment and Shanghai National People's Congress. He concurrently serves as a director of Jiangsu Guanlian New Material Technology Co., Ltd., and is currently a non-executive Director of the company.

(3) Brief biographies of independent non-executive Directors

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

X Directors, Supervisors and Senior Management and Staff

III. Employment (*Cont'd*)

1. Brief biographies of Directors (*Cont'd*)

(3) Brief biographies of independent non-executive Directors (*Cont'd*)

Mr. Yang Biao holds a doctorate in law, and is currently a professor and doctoral tutor in the School of Law of Sun Yat-sen University. He is, among others, one of the “Guangzhou Top Ten Young and Middle-aged Jurists”, an outstanding young talent in the “Guangdong Special Support Program”, a selected member in the “Double Thousand Plan” (雙千計劃) of the Ministry of Education and the Central Politics and Law Committee, a training candidate in the “Thousand-Hundred-Ten” project (千百十工程) for universities in Guangdong Province, a member of the Academy for East-Asian Tort Law (AETL), a member of the Expert Advisory Committee to Guangdong People’s Procuratorate, a supervisory member and judicial advisory expert of the Standing Committee of Guangzhou People’s Congress and an expert certified in Major Administrative Decision-Making and Argumentation in Guangzhou. He has served in Guangdong High People’s Court and People’s Court of Guangzhou Huangpu District. He has also served as a supervisor of Guangzhou Chuanwen Education Consulting Co., Ltd., a supervisor of Dongguan Rural Commercial Bank Co., Ltd., a director of Guangzhou Zhongda Nansha Technology Innovation Industrial Park Co., Ltd., a director of Guangzhou Zhongshan University Science Park Co., Ltd., a director of Guangzhou Zhongda Intellectual Property Service Co., Ltd., Independent director of Guangdong Guangzhou Daily Media Co., Ltd., independent director of Guangdong Yuehai Feed Group Co., Ltd., independent director of Qiaoyi Logistics Co., Ltd., independent director of Guangdong Tianhe Agricultural Resources Co., Ltd.. He is currently an independent Director of the Company.

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

2. Brief biographies of Supervisors

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

Ms. Pan Ailing is a Ph.D. in Economics and holds a post-doctoral degree in Financial Management. She is currently a professor of the School of Management, an advisor to doctoral students, the chief of the Department of Accounting and the chief of the Investment and Financing Research Centre (投融資研究中心) in Shandong University and a non-practising member of CICPA (Chinese Institute of Certified Public Accountants). She is also a director of the Accounting Institute, Shandong Province (山東省會計學會), a council member of Shandong Comparative Management Association, a visiting professor at Soochow University in Taiwan, a visiting scholar at University of Connecticut in the United States and a state-level candidate for the New Century Ten Million Talents Project (新世紀“百千萬人才工程”). She is a specialist entitled to the State Council Special Allowance (國務院政府特貼專家), and a Young and Middle-aged Expert with Outstanding Contributions in Shandong Province (山東省有突出貢獻的中青年專家). She is the chief expert of the Major Tender Projects of National Social and Science Fund (國家社科基金重大招標課題首席專家). She has finished various research projects at national and provincial level. She is also an Independent director of Shandong Xinhua Medical Equipment Co., Ltd., independent director of Lutai Textile Co., Ltd., independent director of Shandong Denghai Seed Industry Co., Ltd., director of Shandong Internet Media Group Co., Ltd., independent director of Shandong Sanwei Petrochemical Engineering Co., Ltd. She is currently a Supervisor of the Company.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

2. Brief biographies of Supervisors (Cont'd)

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

3. Brief biographies of Senior Management

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

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

Mr. Li Weixian graduated with a postgraduate degree. He joined the Company in 2002 and had held different positions including the deputy manager of a Shenzhen coated paper subsidiary of the Company, manager of Shandong Chenming Paper Sales Company Limited, vice chairman of a household paper company, deputy marketing director and marketing director of a sales company and vice president of a group. He is currently chairman of the financial division and the deputy general manager of the Company.

Mr. Geng Guanglin is a member of the Communist Party of the PRC. He graduated with a diploma. He joined the Company in 1992 and had held different positions including the chief officer of manufacturing section of the Company, the deputy general manager of Chibi Chenming Paper Co., Ltd., the chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd., the chairman of Jilin Chenming Paper Co., Ltd., the chairman of Jiangxi Chenming Paper Co., Ltd. and a Director of the Company. He is currently the deputy general manager of the Company.

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

Mr. Zhao Xuegang is a member of the Communist Party of China. He holds a postgraduate degree. He graduated from the Economic Information Management School of Shandong Economics University, and obtained a Master's degree in Finance from Shandong University. After joining the Company in 2017, he served as the general manager of the Financial Leasing Company and currently serves as the deputy general manager of the Company.

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

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

3. Brief biographies of Senior Management (Cont'd)

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

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

Employment at the shareholder of the Company

√ Applicable ☐ Not applicable

Name of employee	Name of shareholder of the Company	Position at the shareholder of the Company	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from the shareholder of the Company
Chen Hongguo	Chenming Holdings Company Limited	Chairman and general manager	22 September 2016	29 December 2023	No
Hu Changqing	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2023	No
Li Xueqin	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2023	No
Geng Guanglin	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2023	No
Explanation of the employment at the shareholder of the Company	Nil				

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

3. Brief biographies of Senior Management (Cont'd)

Employment at other units

√ Applicable ☐ Not applicable

Name of employee	Name of other units	Position at other units	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from the shareholder of the Company
Yang Biao	Guangdong Guangzhou Daily Media Co., Ltd.	Independent director	19 August 2019	19 August 2022	Yes
	Guangdong Tianhe Agricultural Means of Production Co., Ltd.	Independent director	17 May 2018	16 May 2021	Yes
Sun Jianfei	Nanya New Material Technology Co., Ltd.	Independent director	1 August 2017	8 October 2023	Yes
	Zhejiang Yueling Co., Ltd.	Independent director	1 November 2016	6 November 2022	Yes
Pan Ailing	Suzhou Thvow Technology Co., Ltd.	Independent director	8 May 2020	8 May 2023	Yes
	Shinva Medical Instrument Co., Ltd.	Independent director	27 July 2020	27 July 2023	Yes
	Lu Thai Textile Co., Ltd.	Independent director	6 June 2016	10 June 2022	Yes
	Shandong Xinneng Taishan Power Generation Co., Ltd.	Independent director	12 April 2019	12 April 2022	Yes
	Shandong Sanwei Shihua Engineering Company Limited	Independent director	15 May 2020	15 May 2023	Yes
Zhang Hong	Shandong Zhangqiu Blower Co., Ltd.	Independent director	27 March 2019	26 March 2022	Yes
	Sunvim Group Co., Ltd.	Independent director	15 July 2019	26 May 2023	Yes
	Sinotruk Jinan Truck Co., Ltd.	Independent director	28 April 2020	28 April 2023	Yes
	Cisen Pharmaceutical Co., Ltd.	Independent director	28 November 2017	8 December 2023	Yes
Employment at other units	Nil				

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

☐ Applicable ☒ Not applicable

X Directors, Supervisors and Senior Management and Staff

IV. Remuneration of Directors, Supervisors and Senior Management

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

- (1) Determination basis for remuneration of Directors, Supervisors and the Senior Management: The annual remuneration of each of the executive Directors and the Senior Management of the Company was in the band of RMB0.20 million to 5.00 million and the specific amount for each of them was determined by the remuneration committee based on the main financial indicators and operation target completed by the Company, the scope of work and main responsibilities of the Directors and Senior Management of the Company, the target completion of the Directors and Senior Management as assessed by the duty and performance appraisal system, as well as business innovation capability and profit generation ability of the Directors and the Senior Management. The annual remuneration of Supervisors assuming specific managerial duties in the Company were determined by the general manager office of the Company based on specific managerial duties assumed by them. Fixed annual remuneration policy was adopted on external Supervisors who did not hold actual management positions in the Company. As approved by the first meetings of the ninth session of the Board and the Supervisory Board as well as the 2019 first extraordinary general meeting, the Company paid each of the independent non-executive Directors and non-executive Directors of the Company allowance of RMB200,000 (before tax). The remuneration of external Supervisors amounted to RMB100,000 (before tax). The travel expenses for attending board meetings, supervisory meetings and general meetings of the Company and fees reasonably incurred in the performance of their duties under the Articles of Association by independent non-executive Directors, non-executive Directors and external supervisors are reimbursed as expensed.
- (2) Decision process for remuneration of Directors, Supervisors and Senior Management: In accordance with the relevant policies and regulations such as the Implementation Rules Of The Remuneration And Assessment Committee Under The Board, any remuneration plan for the Company's executive Directors proposed by the remuneration and assessment committee shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation. Any proposal of remuneration distribution plan for the Senior Management officers of the Company shall be submitted to the Board for approval. The remuneration of independent non-executive Directors, non-executive Directors and external Supervisors of the Company shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation.
- (3) The remuneration and assessment committee, which was set up by the Board according to the resolution of the general meeting, is mainly responsible to formulate the standards of, carry out appraisal in respect of the non-independent Directors and Senior Management of the Company; formulate and examine the remuneration policy and scheme of the non-independent Directors and Senior Management of the Company, and accountable to the Board.

X Directors, Supervisors and Senior Management and Staff

IV. Remuneration of Directors, Supervisors and Senior Management (Cont'd)

Remuneration of Directors, Supervisors and Senior Management

Unit: RMB'0,000

Name	Position	Gender	Age	Status	Total remuneration before tax received from the Company	Received remuneration from related parties of the Company
Chen Hongguo	Chairman	M	56	In office	499.00	No
Hu Changqing	Vice Chairman	M	55	In office	300.00	No
Li Xingchun	Vice Chairman	M	55	In office	480.00	No
Li Feng	Director, General manager	M	47	In office	335.60	No
Han Tingde	Director	M	52	In office	20.00	No
Li Chuanxuan	Director	M	43	In office	20.00	No
Sun Jianfei	Independent Director	M	48	In office	20.00	No
Yin Meiqun	Independent Director	F	50	In office	20.00	No
Yang Biao	Independent Director	M	41	In office	20.00	No
Li Kang	Supervisor	F	39	In office	64.10	No
Pan Ailing	Supervisor	F	56	In office	10.00	No
Zhang Hong	Supervisor	F	56	In office	10.00	No
Li Xinggui	Supervisor	M	56	In office	20.30	No
Qiu Lanju	Supervisor	F	47	In office	64.10	No
Li Xueqin	Deputy general manager	F	55	In office	299.00	No
Geng Guanglin	Deputy general manager	M	47	In office	153.80	No
Li Weixian	Deputy general manager	M	39	In office	299.00	No
Li Zhenzhong	Deputy general manager	M	47	In office	181.20	No
Zhao Xuegang	Deputy general manager	M	48	In office	29.24	No
Dong Lianming	Financial controller	M	46	In office	152.00	No
Yuan Xikun	Secretary to the Board	M	35	In office	70.00	No
Chu Hon Leung	Hong Kong company secretary	M	38	In office	0	No
Li Dong	Supervisor	M	38	Resigned	0	Yes

X Directors, Supervisors and Senior Management and Staff

IV. Remuneration of Directors, Supervisors and Senior Management (Cont'd)

Directors and Senior Management of the Company granted share options as incentives during the reporting period

√ Applicable □ Not applicable

Unit: share

Name	Position	Number of exercisable shares during the reporting period	Number of shares exercised during the reporting period	Exercise price of the shares exercised during the reporting period (RMB/share)	Market price at the end of the reporting period (RMB/share)	Number of restricted stocks held at the beginning of the period	Number of unlocked shares during the current period	Number of newly granted restricted shares during the reporting period	Grant price of restricted share (RMB/share)	Number of restricted shares held at the end of the period
Chen Hongguo	Chairman	0	0	0	6.42	0	0	20,000,000	2.85	20,000,000
Hu Changqing	Vice-chairman	0	0	0	6.42	0	0	5,000,000	2.85	5,000,000
Li Xingchun	Vice-chairman	0	0	0	6.42	0	0	5,000,000	2.85	5,000,000
Li Feng	Director, General Manager	0	0	0	6.42	0	0	3,000,000	2.85	3,000,000
Li Xueqin	Deputy general manager	0	0	0	6.42	0	0	3,000,000	2.85	3,000,000
Geng Guanglin	Deputy general manager	0	0	0	6.42	0	0	2,000,000	2.85	2,000,000
Li Weixian	Deputy general manager	0	0	0	6.42	0	0	2,000,000	2.85	2,000,000
Li Zhenzhong	Deputy general manager	0	0	0	6.42	0	0	2,000,000	2.85	2,000,000
Dong Lianming	Financial controller	0	0	0	6.42	0	0	1,000,000	2.85	1,000,000
Yuan Xikun	Secretary to the Board	0	0	0	6.42	0	0	300,000	2.85	300,000
Total	—	0	0	—	—	0	0	43,300,000	—	43,300,000
Note (if any)	Nil									

X Directors, Supervisors and Senior Management and Staff

V. Personnel of the Company

1. Number of staff, specialty composition and education level

Number of staff at the Company (person)	3,232
Number of staff at major subsidiaries (person)	8,362
Total number of staff (person)	12,752
Total number of staff receiving remuneration during the period (person)	12,752
Number of retired/resigned staff the Company and its major subsidiaries are required to compensate (person)	0

Specialty composition	
Category of specialty composition	Number of people (person)
Production staff	8,625
Sales staff	569
Technical staff	657
Financial staff	193
Administrative staff	1,571
Other staff	1,137
Total	12,752

Education level	
Category of education level	Number of people (person)
Postgraduate and above	41
Undergraduate	1,083
Post-secondary	2,743
Technical secondary and below	8,885
Total	12,752

X Directors, Supervisors and Senior Management and Staff

V. Personnel of the Company (Cont'd)

2. Remuneration policies

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

3. Training programmes

The Company attached great importance to personnel training and development work, cantered on the corporate spirit of “Learning, Surpass and Leading” and the corporate employment concept of “training, introducing, using and retaining people”, identified talents, cultivated talents, exercised and developed talents in innovative practice, and built a career platform. In 2021, the training management work of the Company will focus on the overall goal of “realising self-driving talent growth”. Through the two starting points of “talent echelon construction” and “training system construction”, the Company will open up talent training and promotion channels; build all levels of talent competency standards, hierarchical and categorised training of talents; organisation of key talents, compiling excellent teaching materials; measures such as building training teams from the four dimensions of selection, training and retention to consolidate the basic skills of training management. The Company also focused on the three teams of “cadres”, “backbone” and “employees” to carry out training and management work, implement rolling reserve echelon training, and focused on building the comprehensive capabilities of cadres; carry out the training of backbone talents in the group departments and focused on improving the ability of production management personnel; focused on job operation skills for employees, prepared job descriptions, formed cases, promoted and copied experience, and effectively improved the training management level of the Company, improved the overall quality of all employees, and promoted the high-quality development of the Company.

4. Labour outsourcing

☐ Applicable ☒ Not applicable

XI Corporate Governance

I. Corporate governance in practice

The Company operated in compliance with the requirement of Companies Law 《公司法》, Securities Law 《證券法》, Code of Corporate Governance for Listed Companies 《上市公司治理準則》, Rules Governing Listing of Stocks on Shenzhen Stock Exchange 《深圳證券交易所股票上市規則》, the Listing Rules of Hong Kong Stock Exchange and the related requirements as required by CSRC, and continued to improve and optimise its legal person governance structure during the reporting period. The Company also continuously improved its internal control system and proactively carried out management works in relation to investor relations during the reporting period, so as to further improve corporate governance standards and promote the Company's standardised operations. As of the end of the reporting period, the actual practice of corporate governance complied with the requirements of the regulatory documents issued by the CSRC regarding the governance of listed companies.

(I) Shareholders and general meeting

The Company had established a corporate governance structure that ensured shareholders' ability to fully exercise their rights and enjoy equal status. Shareholders enjoyed their rights and undertook corresponding obligations in accordance with the shares held by them. The convening and holding of general meeting of the Company were legal and compliant, and on the premise of guaranteeing the legality and effectiveness of the general meeting, both on-site voting and online voting were provided as channels to participate in such meetings. Where significant matters which had an impact on the interests of minority investors were being considered, the votes by minority investors were counted separately for the convenience of shareholders and for the sake of making public and timely disclosures. At the same time, investors present at the general meeting could communicate with the management of the Company in person, which effectively safeguarded the rights and demands of investors to participate in the Company's management. We ensured that all investors could participate in corporate governance on an equal basis, which effectively safeguarded the legitimate interests of shareholders, especially those of minority shareholders.

(II) Controlling shareholder and the listed company

During the reporting period, the Company remained independent of its controlling shareholder, beneficial controllers and related parties in terms of its business, assets, finance, personnel and organisations, and complied with the relevant provisions of the China Securities Regulatory Commission on the independence of listed companies. The controlling shareholders and beneficial controllers strictly regulated their behaviour, and exercised their rights and performed their obligations in accordance with the laws. The Company had business independence and self-operation capability. The Board, the Supervisory Committee and internal structure can operate independently.

(III) Directors and the Board

The Board of the Company has a total of 9 Directors, of which 3 are independent Directors. They are professionals with professional knowledge in finance, law, management, etc., ensuring the quality and level of decision-making by the Board. During the reporting period, all of the Directors of the Company were able to earnestly, faithfully, and diligently perform their duties and powers as stipulated in the Articles of Association. The convening and holding of Board meetings were in strict compliance with the Articles of Association and Rules of Procedure of Board Meetings and other relevant provisions. The four special committees under the Board of the Company, namely the Strategic Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee, performed their duties normally and provided scientific and professional opinions for the decision-making of the Board.

XI Corporate Governance

I. Corporate governance in practice (*Cont'd*)

(IV) Supervisors and the Supervisory Committee

The supervisors of the Supervisory Committee of the Company has a total of 5 supervisors, including 3 shareholder supervisors and 2 employee supervisors. The number and composition of the board of supervisors meet the requirements of laws and regulations. The Supervisory Committee strictly followed the requirement of relevant laws and regulations including the Companies Law, the Articles of Associations and the Rules of Procedure of the Supervisory Committee in fulfilling its duties. In the spirit of being accountable to the shareholders and the Company, the Supervisory Committee independently and effectively exercised its supervision and inspection functions. By attending Board meetings and conducting regular inspections on the legal compliance of the Company's operations and finance, the Supervisory Committee supervised the decision-making procedures of the Board, resolutions and the legal compliance of the Company's operations, so as to safeguard the legitimate interests of the Company and the shareholders.

(V) Information disclosure

The Company strictly enforced the relevant information disclosure regulations and fully fulfilled its information disclosure obligations. The Company disclosed information in a timely and fair manner and ensured that the information disclosed was true, accurate and complete, and did not contain false information, misleading statements or major omissions. During the reporting period, the Company issued a total of more than 170 periodic reports, interim announcements, and related documents through the designated information disclosure media, and a total of 220 periodic reports, interim announcements, and related documents through the website of Hong Kong Stock Exchange, ensuring that all shareholders have fair access to company-related information and have full right to know

(VI) About prevention and control of insider information

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

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

☐ Yes ☒ No

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

XI Corporate Governance

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

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

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

III. Competition in the industry

☐ Applicable ☒ Not applicable

XI Corporate Governance

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

1. General meetings during the reporting period

Meeting	Type of meeting	Attendance rate of		Convening date	Disclosure date	Disclosure index
		investors				
2020 first extraordinary general meeting	Extraordinary general meeting	3.41%		9 March 2020	10 March 2020	http://www.cninfo.com.cn
2020 second extraordinary general meeting	Extraordinary general meeting	9.03%		15 May 2020	16 May 2020	http://www.cninfo.com.cn
2020 First Class Meeting for Holders of Domestic-listed Shares	Class Meeting	7.74%		15 May 2020	16 May 2020	http://www.cninfo.com.cn
2020 First Class Meeting for Holders of Overseas-listed Shares	Class Meeting	14.94%		15 May 2020	16 May 2020	http://www.cninfo.com.cn
2019 annual general meeting	Annual general meeting	29.39%		19 June 2020	20 June 2020	http://www.cninfo.com.cn
2020 third extraordinary general meeting	Extraordinary general meeting	29.89%		27 July 2020	28 July 2020	http://www.cninfo.com.cn
2020 fourth extraordinary general meeting	Extraordinary general meeting	29.78%		27 August 2020	28 August 2020	http://www.cninfo.com.cn
2020 fifth extraordinary general meeting	Extraordinary general meeting	24.21%		21 December 2020	22 December 2020	http://www.cninfo.com.cn

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

☐ Applicable ☒ Not applicable

XI Corporate Governance

V. Performance of Independent Directors during the reporting period

1. Attendance of Independent Directors at Board meetings and general meetings

Name of Independent Directors	Attendance of Independent Directors at Board meetings and general meetings						
	Number of attendance required for Board meetings during the reporting period	Attendance at Board meetings in person	Attendance at Board meetings by communication	Attendance at Board meetings by proxy	Absence from Board meetings	Absent from Board meetings twice in a row (in person)	Attendance at general meetings
Sun Jianfei	14	0	14	0	0	No	0
Yin Meiqun	14	0	14	0	0	No	0
Yang Biao	14	0	14	0	0	No	3

None of the independent Directors was absent from the Board meeting twice in a row.

2. Objections from Independent Directors on related issues of the Company

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

☐ Yes ☒ No

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

XI Corporate Governance

V. Performance of Independent Directors during the reporting period (Cont'd)

3. Other details about the performance of duties by the independent Directors

Were there any suggestions from the independent Directors adopted by the Company?

☒ Yes ☐ No

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

During the reporting period, the independent Directors of the Company focused on the operation of the Company and performed their duties strictly in accordance with relevant laws and regulations and the Articles of Association. They provided a lot of valuable professional recommendations on optimising the Company's system and decision on daily operation. They also issued independent and fair opinion on matters arising during the reporting period which requested opinions from Independent Directors. This helped optimise the supervisory system of the Company, as well as protecting the legal rights of the Company and all shareholders.

Publication time	Subject matter	Opinion
21 February 2020	Independent opinions on Delay in Increase of Shares of the Company by the Controlling Shareholder	Agreed
27 March 2020	Independent opinions on the Company's internal control self-assessment report, particulars and independent opinions on external guarantees of the Company, independent opinions on determination of remuneration of Directors, Supervisors and senior management for 2019, independent opinions on the use of proceeds by related parties and related party transactions, independent opinions on provision of guarantee for comprehensive credit line of relevant subsidiaries, independent opinions on appointment of the auditor for 2020, independent opinions on corrections of accounting errors and retrospective restatement, independent opinions on expected daily connected transactions for 2020, independent opinions on the re-election of Director, independent opinions on Financial Assistance from a Subsidiary to Its Investee, and independent opinions on provision for impairment of assets for 2019	Agreed
30 March 2020	Independent opinions on the Implementation of the 2020 Restricted A Share Incentive Scheme of the Company	Agreed
29 May 2020	Independent opinions on Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme, Independent opinions on Grant of Restricted Shares to the Participants	Agreed
19 June 2020	Independent opinions on the Estimated 2020 Securities Investment Quota	Agreed
17 July 2020	Independent opinions on the Capital Increase of the Holding Subsidiary and the Introduction of Strategic Investors	Agreed
10 August 2020	Independent opinions on the use of proceeds by controlling shareholders and other related parties and on external guarantees	Agreed
29 September 2020	Independent opinions on the Capital Increase and the Introduction of a Strategic Investor by a Holding Subsidiary	Agreed
4 December 2020	Independent opinions on the Acquisition of Non-controlling Interest in a Subsidiary and External Guarantee, Independent opinions on the External Guarantee under the Equity Transfer	Agreed
23 December 2020	Independent opinions on the capital increase of a subsidiary by Changjiang Chenming Equity Investment Fund	Agreed

VI. Performance of duties by special committees under the Board during the reporting period

(I) Audit Committee

1. The following major tasks were completed in 2020:

- (1) it conducted pre-audit communication with external auditing institution engaged by the Company in respect of the 2019 financial report auditing, reviewed the 2019 auditor's report and financial report, which were submitted to the Board of the Company for consideration and approval;
- (2) it conducted research and review on the independence, professional competence, investor protection ability, and practice qualifications of Grant Thornton, and agreed to propose to the Board that Grant Thornton be appointed as the audit agency of the Company for 2020;
- (3) it reviewed the 2020 first quarter report of the Company as of 31 March 2020, which was submitted to the Board for consideration and approval;
- (4) it reviewed the 2020 interim financial statements as of 30 June 2020, which were submitted to the Board for consideration and approval;
- (5) it reviewed the 2020 third quarter report of the Company as of 30 September 2020, which was submitted to the Board for consideration and approval.

2. Auditing work conducted on the 2020 financial report of the Company is as follows:

- (1) it convened a meeting to review with due consideration the 2020 auditing plan and the related information of the Company with the auditing certified public accountants and the finance department of the Company prior to the on-site audit, and negotiated and determined the schedule of an audit of the 2020 financial statements of the Company with certified accountant of Grant Thornton, which was responsible for the Company's auditing work during the year;
- (2) with due consideration, it reviewed the draft of financial statements of the Company prior to an annual onsite audit performed by the auditing certified public accountants and issued its approval to audit;
- (3) it kept in close contact with the auditor upon the annual on-site audit performed by the auditing certified public accountants and issued a letter to the auditor to urge that they submit the auditor's report on schedule;
- (4) it reviewed the financial statements of the Company again upon the issue of preliminary opinion on the annual audit by the auditing certified public accountants appointed for the annual audit, and considered the financial statements of the Company to be true, accurate and complete to reflect the overall position of the Company;
- (5) it reviewed the 2020 report on internal audit and self-assessment report on internal controls of the Company as of 31 December 2020.

XI Corporate Governance

VI. Performance of duties by special committees under the Board during the reporting period (Cont'd)

(II) Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the Board of the Company were primarily responsible for formulating the remuneration and assessment for the Directors and the Senior Management of the Company and formulating and examining the remuneration package of the Directors and the Senior Management of the Company, and accountable to the Board. During the reporting period, the Company held two meetings of the Remuneration and Assessment Committee of the Board. The Remuneration and Assessment Committee formulated the 2019 remuneration package of the Directors and the Senior Management of the Company, which was arrived at based on the operation conditions of 2019 and assessment of the Directors and the Senior Management of the Company. The Remuneration and Assessment Committee reviewed the 2020 A-Share Restricted Share Incentive Plan (Draft) and 2020 A-Share Restricted Share Incentive Plan Evaluation and Management Measures and submit them to the Board for consideration.

(III) Strategy Committee

The Strategy Committee conducted research on major investment decisions of the Company and made recommendations, and inspected and evaluated the implementation of related matters. At the same time, the Strategy Committee actively discussed the Company's future long-term strategic development plan based on the Company's industry characteristics and development stage in combination with the Company's production and operation conditions, providing valuable and constructive opinions for the company's steady development.

On 10 August 2020, the Proposal for the Second Phase of Huanggang Chenming Construction Project was reviewed and approved by the Strategy Committee for the first meeting of the Strategy Committee in 2020 and submitted to the Board for consideration.

(IV) Nomination Committee

The nomination committee was established under the Board of the Company. Its members were composed of three Directors, of which two were independent Directors; there is one chairman, which is assumed by an independent Directors. The nomination committee is responsible for reviewing and making recommendations on Director candidates, manager candidates and other senior management personnel who need to be appointed by the Board, making recommendations to the Board on the appointment and re-appointment of Directors, and on the skills and knowledge required for Directors to serve on the Board, Experience, background, gender and other characteristics are considered while balancing the diversity of Directors, improving the efficiency of the Board and ensuring the benefits of the diversity of the Board. During the reporting period, the first meeting of 2020 reviewed and approved the "Regarding the by-election The Director's Proposal" agreed that Li Feng was a candidate for the Ninth Board of Directors and submitted it to the fourth meeting of the Ninth Board of Directors for review and approval.

XI Corporate Governance

VII. Performance of duties by the Supervisory Committee

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

☐ Yes ☒ No

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

VIII. Assessment and incentive mechanism for the Senior Management

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

IX. Internal control

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

☐ Yes ☒ No

During the reporting period, no major defects in internal control were found.

2. Self-assessment Report on Internal Controls

Date of Disclosure of Assessment Report on Internal Controls	26 March 2021
Index of Assessment Report on Internal Controls Disclosure	http://www.cninfo.com.cn
Percentage of Total Assets Included in Assessment to Total Assets in Consolidated Financial Statements of the Company	99.40%
Percentage of Revenue Included in Assessment to Revenue in Consolidated Financial Statements of the Company	99.60%

XI Corporate Governance

IX. Internal control (Cont'd)

2. Self-assessment Report on Internal Controls (Cont'd)

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

XI Corporate Governance

X. Auditor's report on internal control

☒ Applicable ☐ Not applicable

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

We are of the opinion that Shandong Chenming Paper Holdings Limited had in all material aspects maintained effective internal control over the financial statements in accordance with the Basic Internal Control Norms for Enterprises as of 31 December 2020.

Disclosure of Auditor's Report on Internal Control	Disclosed
Date of Disclosure of Auditor's report on internal control	26 March 2021
Index of Auditor's Report on Internal Control Disclosure	http://www.cninfo.com.cn
Type of Opinion in Auditor's Report on Internal Control	Standard and unqualified opinion
Material deficiencies in non-financial reporting	No

Any opinions of non-standardisation set out in the Auditor's Report on Internal Control issued by accountants

☐ Yes ☒ No

Auditor's Report on Internal Control issued by accountants was in line with Directors' opinions contained in Self-assessment Report

☒ Yes ☐ No

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

(I) Compliance with the Code on Corporate Governance

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

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

(II) Securities transactions by Directors

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

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(III) Board

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

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

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

Pursuant to Code A.1.8 of the code provisions, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. As at the date of this report, the Company has not reached an agreement with the original insurance company, and therefore has not arranged relevant insurance cover for Directors. However, the Company is currently under negotiation with another insurance Company with respect to director liability insurance in 2021.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(III) Board (*Cont'd*)

During the reporting period, the Board held 14 meetings, 4 of which were regular meetings and 10 were extraordinary meetings. None of the Directors were absent from any Board meetings.

Name	Position	Attendance at the relevant meetings (attention required/attended)					
		Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration and assessment committee meetings	Strategic committee meetings	General meetings
I. Executive Directors							
Chen Hongguo	Chairman	14/14	N/A	1/1	N/A	1/1	8/0
Hu Changqing	Vice Chairman	14/14	N/A	N/A	N/A	1/1	8/8
Li Xingchun	Vice Chairman	14/14	N/A	N/A	2/2	N/A	8/0
Li Feng	Executive Director	8/8	N/A	N/A	N/A	N/A	3/3
II. Non-executive Directors							
Li Chuanxuan	Director	14/14	4/4	N/A	N/A	N/A	8/1
Han Tingde	Director	14/14	N/A	N/A	N/A	N/A	8/1
III. Independent non-executive Directors							
Sun Jianfei	Independent Director	14/14	4/4	1/1	2/2	N/A	8/0
Yin Meiqun	Independent Director	14/14	4/4	1/1	N/A	N/A	8/0
Yang Biao	Independent Director	14/14	N/A	N/A	2/2	1/1	8/3

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

The Board held 4 regular meetings during the year, each by giving a 10-day notice in advance to ensure that all Directors could participate in discussions of matters in the agenda. Reasonable prior notification was given for the other meetings of the Board to ensure all Directors could take time to attend.

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

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(III) Board (*Cont'd*)

Directors' training and professional development

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

Directors and Supervisors of the Company were arranged by the Company to attend training courses 2020 for directors and supervisors held by China Securities Regulatory Commission, Shandong; and, briefing paper in respect of amendments to Hong Kong Listing Rules prepared by Advisor to Hong Kong Law of the Company was distributed to all Directors and Supervisors, the above of which were to ensure all Directors and Supervisors to comply with relevant laws and sound corporate governance practice, and enhance their awareness of sound corporate governance practice.

(IV) Chairman and General Manage

The chairman of the Company is Mr. Chen Hongguo, and the general manager of the Company is Mr. Li Feng. Please refer to section X of this annual report for his brief biographies.

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

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

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(V) Independent Non-executive Directors

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

(VI) Terms of Directors

According to the Articles of Association of the Company, all Directors, including non-executive Directors, are elected at general meetings with a term of three years from June 2019 to June 2022. They may be re-elected for another term upon expiry of tenure.

(VII) Directors' Responsibility for the Financial Statements

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

(VIII) Board Committees

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

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

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(IX) Audit Committee

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

The primary duties of the Audit Committee of the Company are: (1) proposing the appointment or dismissal of the external auditor; (2) supervising the internal control system of the Company and its implementation; (3) serving as a communication media between internal and external audit; (4) auditing the financial information of the Company and its disclosures; (5) reviewing the financial control, risk control and internal control system of the Company and audit the significant connected transactions; (6) discussing the risk management and internal control system with the management to ensure the management has performed its duties to establish effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions of the Company; (7) studying the major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and the management's response to these findings; (8) where the annual report includes statements in relation to the risk management and internal control system of the Company, reviewing such statements prior to submission to the Board for approval; and (9) dealing with other matters as delegated by the Board.

The Audit Committee discussed with the management of the Company the accounting standards and practices adopted by the Group and discussed and reviewed this report, including the review of the financial statements of the Group for the year ended 31 December 2020 prepared in accordance with China Accounting Standards for Business Enterprises.

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

Risk Management and Internal Control

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

The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the management has provided confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2020.

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

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(X) Remuneration and Assessment Committee

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

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

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

(XI) Nomination Committee

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

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

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XI) Nomination Committee (*Cont'd*)

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

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

(XII) Strategic Committee

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

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

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

(XIII) Auditor

On 19 June 2020, the 2019 general meeting of the Company approved a resolution to engage Grant Thornton (Special General Partnership) as the domestic auditor of the Company for 2020 and be responsible for domestic auditing of the Company for 2020.

(XIV) Remuneration for the Auditor

The financial statements for 2020 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Grant Thornton (Special General Partnership). The Company paid the auditor in aggregate RMB2,500,000 and RMB800,000 in respect of financial statements audit and non-audit services in relation to internal control for 2020 respectively.

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

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XV) Supervisors and Supervisory Committee

The Supervisory Committee is accountable to the shareholders. It monitors the financial position of the Company and the performance of the Directors, managers and Senior Management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations to protect the lawful rights of the Company and the shareholders. The Supervisory Committee comprises three shareholder representatives and two staff representatives. The shareholder representatives shall be elected and removed at a general meeting and the staff representatives shall be elected and removed democratically by the staff of the Company.

Details of the work of the Supervisory Committee during the reporting period are set forth in part VII of this section.

(XVI) Company Secretary

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

(XVII) Communications with Shareholders

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

Information disclosure on the Company's website

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

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

General meetings

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Various resolutions are proposed on each substantially separate issue at the general meetings. Save for the annual general meeting held on 19 June 2020 by the Company, five extraordinary general meetings, 1 Class Meeting for Holders of Domestically listed Shares and 1 Class Meeting for Holders of Overseas-listed Shares were convened in 2020. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
2020 first extraordinary general meeting	Hu Changqing
2020 second extraordinary general meeting	Hu Changqing, Yang Biao
2020 First Class Meeting for Holders of Domestic-listed Shares	Hu Changqing, Yang Biao
2020 First Class Meeting for Holders of Overseas-listed Shares	Hu Changqing, Yang Biao
2019 annual general meeting	Hu Changqing, Li Chuanxuan, Han Tingde
2020 third extraordinary general meeting	Hu Changqing, Li Feng
2020 fourth extraordinary general meeting	Hu Changqing, Li Feng
2020 fifth extraordinary general meeting	Hu Changqing, Li Feng

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

General meetings (*Cont'd*)

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

Code E.1.2 of the code provisions – This code provision requires the chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the Annual General Meeting.

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

Code A.6.7 of the code provisions – This code provision requires independent non-executive Directors and other non-executive Directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Han Tingde, Li Chuanxuan, Sun Jianfei, Yin Meiqun and Yang Biao were absent from the 2020 first extraordinary general meeting due to business commitments.

Han Tingde, Li Chuanxuan, Sun Jianfei and Yin Meiqun were absent from the 2020 second extraordinary general meeting, 2020 First Class Meeting for Holders of Domestic-listed Shares and 2020 First Class Meeting for Holders of Overseas-listed Shares due to business commitments.

Sun Jianfei, Yin Meiqun and Yang Biao were absent from the 2019 annual general meeting due to business commitments.

Han Tingde, Li Chuanxuan, Sun Jianfei, Yin Meiqun and Yang Biao were absent from the 2020 third extraordinary general meeting, 2020 fourth extraordinary general meeting and 2020 fifth extraordinary general meeting due to business commitments.

Voting by poll

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

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

Shareholders' right

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

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

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

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

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

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

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

Shareholders who convened shall submit relevant certifications to the local office of CSRC at the place where the Company is located and the stock exchange upon the issuance of the notice of general meeting and the announcement of resolutions of the general meeting.

The Board and its secretary shall cooperate with respect to matters relating to general meetings convened by Shareholders on their own. The Board shall provide Shareholder registers as of the date of shareholding register. If a general meeting is convened by shareholders on their own, all necessary expenses incurred shall be borne by the Company.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

Shareholders' right (*Cont'd*)

2. Procedures for sending shareholders' enquiries to the Board

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

	Secretary to the Board	Hong Kong Company Secretary
Name	Yuan Xikun	Chu Hon Leung
Address	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	22/F, Universal Building, Central, Hong Kong
Telephone	(86)-0536-2158008	+852-21629600
Facsimile	(86)-0536-2158977	+852-25010028
Email	chenmmingpaper@163.com	liamchu@li-partners.com

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

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

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

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

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

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

Relationships with investors

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

(XVIII) Internal Control

For details of internal control of the Company, please refer to IX. Internal Control hereunder.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XIX) Articles of Association

On 3 December 2019, the Company amended the Articles of Association. The amendments were primarily relating to the time for convening general meetings. Memorandum of Association and the amended version of the new Articles of Association of the Company are available on websites of the Company and Stock Exchange.

(XX) Board Diversity

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

Such policies are summarised as follows:

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

The Nomination Committee of the Company reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation those described above, in order to maintain an appropriate range and balance of talents, skills, experience and backgrounds on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The composition of the Board of the Company is basically diversified. For details, please refer to (III) Composition of the Board under section XI.

(XXI) Dividend policy

Based on the total ordinary share capital of 2,984,208,200 shares and the 589,005,236 simulated ordinary shares converted from the second and third tranche of Preference Shares using a conversion ratio of 1 share valued at RMB3.82 as at the end of 2020, a cash dividend of RMB1.85 (tax inclusive) per 10 shares will be distributed to ordinary shareholders; a cash dividend of RMB1.85 (tax inclusive) per 10 simulated ordinary shares converted from the Preference Shares will be distributed to holders of the second and third tranche of Preference Shares. No bonus shares will be issued and there is no increase of share capital from reserves. A cash dividend of RMB552,078,517.00 will be distributed to holders of ordinary shares and a variable cash dividend of RMB108,965,968.66 will be distributed to holders of the second and third tranche of Preference Shares. In other words, a cash dividend of RMB4.84 (tax inclusive) per Preference Share with a nominal value of RMB100 each will be distributed to holders of the second and third tranche of Preference Shares. If the total share capital of the company changes before the date of the equity registration for the implementation of the equity distribution, it is proposed to maintain the total distribution unchanged and adjust the distribution ratio per share accordingly.

XII Corporate Bonds

Are there any corporate bonds offered to the public and listed on stock exchanges which do not become due as at the date of approval of annual report or overdue but not fully settled?

Yes

I. Basic information on Corporate Bonds

Name of bond	Bond abbreviation	Bond code	Issue date	Maturity date	Outstanding amount of the bonds (RMB'0,000)	Interest rate	Payment method
The public issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2017 (phase I)	17 Chenming Bond 01	112570	17 August 2017	21 August 2022	9,000	7.28%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
The public issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (phase I)	18 Chenming Bond 01	112641	29 March 2018	2 April 2023	35,000	7.60%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
Stock exchange on which Corporate Bonds are listed or transferred	Shenzhen Stock Exchange						
Investor eligibility arrangement	Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.						
Interest payment of Corporate Bonds during the reporting period	The payment of interest on the bonds of 17 Chenming Bond 01 was completed on 21 August 2020. For details, please refer to the Announcement on Payment of 2020 Interest with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2017 as disclosed on 19 August 2020. The payment of principal and interest for the bond repurchase portion of 18 Chenming Bond 01 was completed on 2 April 2019, and the resale of the bonds was completed during the reporting period. The number of the resale was 3,500,000, and the average resale price was RMB100 each. For details, please refer to the relevant announcements as disclosed on 19 February, 21 February, 25 February, 28 February, 31 March, 30 April and 1 June 2020.						
Performance of relevant terms during the reporting period, for special terms such as issuer or investor option and interchangeable for Corporate Bonds (if any).	Both 17 Chenming Bond 01 and 18 Chenming Bond 01 attach with options for the issuer to adjust the coupon rate and for investors to resell. The issuer has the right to determine the adjustment to the coupon rate for the following 3 years at the end of the second year and the adjustment to the coupon rate for the following year as the end of the fourth year. After issuing the announcement on whether the coupon rate of the relevant tranche of bonds will be adjusted and the range of adjustment, the investors have the right to register for reselling during the period as announced to resell all or part of the relevant tranche of bonds held to the issuer at par value.						

XII Corporate Bonds

II. Information on bond custodian and credit rating agency

Bond custodian:

Name	GF Securities Co., Ltd.	Office address	37th Floor, Taikang Insurance Building, No. 429 Nanquan North Road, Pudong New Area, Shanghai	Contact person	Xu Duwei	Telephone of contact person	021-38003800-3700
------	-------------------------	----------------	---	----------------	----------	-----------------------------	-------------------

Credit rating agency(ies) which conducted rating on Corporate Bonds during the reporting period:

Name	China Chengxin Securities Rating Co., Ltd.	Office address	Building 6, Yinhe Soho, No. 2 Nanzhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing
------	--	----------------	--

Reason of change, procedures to be performed and impacts on interests of investors, etc. in case the bond trustee and credit rating agency engaged by the Company during the reporting period have changed (if applicable)	No change during the reporting period.
--	--

III. Use of proceeds from Corporate Bonds

Use of proceeds from Corporate Bonds and its implementation

The use of proceeds from issuance of Corporate Bonds has strictly completed relevant application and approval procedures. As at the end of the reporting period, the proceeds from 17 Chenming Bond 01 and 18 Chenming Bond 01 were fully used.

Balance as at the end of the year (RMB'0,000)

0

Operation of special account for proceeds

Special account for proceeds is used for the deposit of special capital from bonds.

Is the use of proceeds consistent with the use of proceeds guaranteed under the prospectus, proposed use of proceeds and other agreement

Consistent

IV. Credit rating of Corporate Bonds

On May 26, 2020 China Chengxin International Credit Rating Co., Ltd. (China Chengxin International) issued the "Follow-up Rating Report" (2020) with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2017". The credit rating of the company's "17 Chenming Bond 01" is AA+, and the main credit rating of the company is AA+, and the rating outlook is stable. For details, please refer to the company's announcement dated 28 May 2020 on Juchao Information Network.

On 26 May 2020, China Chengxin International issued the "Follow-up Rating Report" (2020) with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018", which assessed the Company's "18 Chenming Bond 01" credit rating as AA+. The main credit rating of the Company is AA+, and the rating outlook is stable. For details, please refer to the announcement of the Company dated 28 May 2020 on Juchao Information Network.

XII Corporate Bonds

IV. Credit rating of Corporate Bonds (Cont'd)

On 3 July 2020, China Chengxin International issued the “Announcement on Putting Shandong Chenming Paper Group Co., Ltd. Main Body and Related Debt Credit Ratings on the Watch List for Possible Downgrades”, and decided to set the company’s AA+ main credit rating and the AA+ credit ratings of “17 Chenming Bond 01” and “18 Chenming Bond 01” are included on the watch list for possible downgrade. For details, please refer to the announcement of the Company dated 9 July 2020 on Juchao Information Network.

On 30 December 2020, China Chengxin International issued the “Announcement on Removing the Credit Rating of Shandong Chenming Paper Group Co., Ltd. and Related Debts from the Watch List of Possible Downgrades and Adjusting the Rating Outlook to Negative” and decided to maintain it. The company’s subject credit rating is AA+, and the credit ratings of “17 Chenming Bond 01” and “18 Chenming Bond 01” are maintained at AA+. The credit ratings of the above entities and related debts are removed from the watch list for possible downgrade, and the rating outlook is adjusted to negative. For details, please refer to the announcement of the Company dated 31 December 2020 on Juchao Information Network.

V. Credit enhancement mechanism, repayment plan and other repayment guarantee measures for Corporate Bonds

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

VI. Convening of meeting for bondholders during the reporting period

During the reporting period, no meeting for bondholders was held.

VII. Performance of bond custodian during the reporting period

As the trustee of “17 Chenming Bond 01” and “18 Chenming Bond 01”, GF Securities Co., Ltd. continued to pay close attention to matters that have a significant impact on the rights and interests of bondholders, actively performed the duties of the trustee and safeguard the legal rights and interests of bondholders..

On 19 June 2020, GF Securities Co., Ltd. issued the “Interim Report on the Entrusted Management of Major Issues of Corporate Bonds”; on 24 June 2020, GF Securities Co., Ltd. issued the “Fiduciary Management Affairs Annual Report (2019) with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2017”, “Fiduciary Management Affairs Annual Report (2019) with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018”. For details, please refer to the announcement of the Company dated on the same day on Juchao Information.

XII Corporate Bonds

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

Unit: RMB' 0,000

Item	2020	2019	Year-on-year increase/decrease in percentage
EBITDA	681,034.08	689,484.08	-1.23%
Current ratio	70.29%	85.30%	-15.01%
Gearing ratio	71.83%	73.11%	-1.28%
Quick ratio	60.23%	76.24%	-16.01%
Proportion of EBITDA to total debts	12.22%	11.32%	0.90%
Interest coverage ratio	1.96	1.70	15.29%
Cash interest coverage ratio	4.71	4.56	3.29%
EBITDA interest coverage ratio	3.02	2.34	29.06%
Loans payment ratio	100.00%	100.00%	0
Interest payment ratio	100.00%	100.00%	0

Major reason for more than 30% in year-on-year change for the above accounting data and financial indicators

☐ Applicable ☒ Not applicable

IX. Interest payment on other bonds, debt and financing instruments during the reporting period

Unit: RMB

Item	Amount of interest payment
Corporate Bonds	1,036,089,112.24
Super & short-term commercial papers	384,100,500.00
Total	1,420,189,612.24

XII Corporate Bonds

X. Bank credit obtained, its use and repayment of bank loans during the reporting period

During the reporting period, the Company obtained bank credit of RMB83,165 million, of which RMB44,270 million was utilised with RMB38,895 million outstanding. The Company repaid bank loans of RMB30,646 million.

XI. Performance of relevant agreements or commitments under the prospectus of Corporate Bonds during the reporting period

Nil

XII. Matters of significance during the reporting period

On 3 July 2020, China Chengxin International issued the “Announcement on Putting the Credit Rating of the Company’s Main Body and Related Debts on the Watch List for Possible Downgrades”, and decided to include the Company’s AA+ main credit rating and “17 Chenming Bond 01”, “18 Chenming Bond 01” AA+ was included in the watch list for possible downgrade; on December 30, 2020, the Company issued “Announcement Regarding the withdrawal of the credit rating of corporate entities and related debts from the watch list for possible downgrade and the rating outlook is adjusted to negative” and decided to maintain the Company’s main body credit rating at AA+, maintain the “17 Chenming Bond 01” and “18 Chenming Bond 01” credit ratings at AA+, and withdraw the credit ratings of the above entities and related debts that may be downgraded to watch list and upgrade the rating outlook to negative.

For details, please refer to the announcement of the Company dated 9 July 2020 and 31 December 2020 on Juchao.com.

XIII. Is there any guarantor for Corporate Bonds?

☐ Yes ☒ No

XIII Financial Report

I. Auditor's Report

Type of auditor's opinion	Standard and unqualified opinions
The date of the audit report signed	25 March 2021
Name of the auditor	Grant Thornton (Special General Partnership)
Reference number of the auditor's report	Audit Report No. [371A005352] (2021)
Name of certified public accountants	Liu Jian and Jiang Lei

Text of the auditor's report

To all shareholders of Shandong Chenming Paper Holdings Limited:

I. Auditor's opinion

We have audited the financial statements of Shandong Chenming Paper Holdings Limited (hereinafter "Chenming Paper Company"), which comprise the consolidated and company balance sheets as at 31 December 2020, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for 2020 and notes to the relevant financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Chenming Paper Company as at 31 December 2020 and of its consolidated and company operating results and cash flows for 2020.

II. Basis of opinions

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

III. Key audit matters

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

(I) Share-based payments

For detailed disclosures of relevant information, please see note V. 25 and note XIII of the financial statements.

1. Details

Chenming Paper Company implemented a restricted share incentive scheme in 2020. The management fees recognised for share-based payments in 2020 amounted to RMB32,486,900. As the recognition of share-based payments requires significant audit estimate by the management of Chenming Paper Company (hereinafter the "Management"). As parameters such as the number of exercisable shares are subject to uncertainties, we have identified share-based payments as a key audit matter.

2. Application for auditing

We have carried out the following audit procedures for the recognition of share-based payments:

- (1) we inspected the approved share incentive scheme, relevant board resolutions and the resolutions of the general meetings, and inspected the relevant evidence of the implementation of the share incentive scheme;
- (2) we obtained and inspected the approved share incentive scheme, relevant board resolutions and the resolutions of the general meetings, inspected the evidence related to the implementation of the share incentive scheme, including but not limited the Announcement on Completion of Registration of the Grant under the 2020 Restricted A Shares Incentive Scheme issued by Chenming Paper Company;
- (3) we inspected the Management's basis for estimating the fair value on the date of grant under the share incentive scheme, inspected the Management's basis for estimating the number of exercisable shares under the share incentive scheme as at 31 December 2020, and evaluated the reasonableness of Management's estimation;
- (4) we recalculated the expenses recognised for the share incentive scheme in 2020; and
- (5) we inspected whether the Management had made sufficient disclosure of the share incentive scheme and relevant estimation.

(II) Recognition of revenue from machine-made paper

For detailed disclosures of relevant information, please see note V. 27 and VII. 46 of the financial statements.

1. Details

In 2020, Chenming Paper Company realised revenue of RMB30,736,518,000, of which RMB26,799,197,500 was attributed to revenue of machine-made paper, accounting for 87.19% of the revenue. For domestic machine-made paper sales business, Chenming Paper Company recognised the revenue after the goods were delivered and signed by the customer for confirmation; for foreign machine-made paper sales business, Chenming Paper Company recognised the revenue after the goods were loaded on board and declared.

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

2. Application for auditing

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

- (1) we identified and evaluated and tested the effectiveness of the design and operation of key internal controls conducted by the Management related to revenue recognition;

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

IV. Other information

The Management of Chenming Paper Company' is responsible for other information. Other information includes the information covered in the 2020 annual report of Chenming Paper Company, but does not include the financial statements and our audit report.

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

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

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

V. Management and management responsibility for financial statements

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

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

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

VI. Auditor's responsibility for auditing financial statements

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

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

- (1) To identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence, together perform as a basis for issuing audit opinions. Since fraud may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to an error.
- (2) To understand audit-related internal controls to design appropriate audit procedures.
- (3) To evaluate the appropriateness of accounting policies adopted by the Management and the reasonableness of accounting estimates and related disclosures.
- (4) To conclude on the appropriateness of Management's use of the continuing operation assumption. At the same time, according to the audit evidence obtained, it may lead to conclusions as to whether there are significant uncertainties in matters or circumstances that have significant doubts about the ability of Chenming Paper Company to continue its operations. If we conclude that there are significant uncertainties, the auditing standards require us to request the users of the report to pay attention to the relevant disclosures in the financial statements in the audit report; if the disclosure is not sufficient, we should publish modified audit report. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause Chenming Paper Company to not continue its operations.
- (5) Evaluate the overall presentation, structure, and content of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and matters.
- (6) To obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Chenming Paper Company to express opinions on the financial statements. We are responsible for guiding, supervising and executing group audits, and take full responsibility for the audit opinion.

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

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

XIII Financial Report

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

Grant Thornton (Special General Partnership)

Chinese Certified Public Accountant (Project Partner): Liu Jian

Beijing, China

Chinese Certified Public Accountant: Jiang Lei

25 March 2021

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

31 December 2020

Unit: RMB

Item	31 December 2020	31 December 2019
CURRENT ASSETS:		
Monetary funds	17,759,537,598.98	19,306,529,473.33
Financial assets held for trading	192,907,800.62	
Bills receivable		
Accounts receivable	1,984,931,665.82	2,525,083,311.03
Accounts receivable financing	488,385,666.76	442,915,861.70
Prepayments	964,290,512.36	603,573,549.08
Other receivables	2,417,240,559.46	2,216,654,598.66
Including: Interest receivable		
Dividend receivable		13,000,000.00
Inventories	5,135,293,347.82	4,774,430,110.81
Non-current assets due within one year	4,222,744,207.34	6,974,539,613.30
Other current assets	2,716,918,695.85	8,108,707,394.70
Total current assets	35,882,250,055.01	44,952,433,912.61

XIII Financial Report

Item	31 December 2020	31 December 2019
NON-CURRENT ASSETS:		
Long-term receivables	4,658,884,857.95	1,200,575,810.95
Long-term equity investments	3,906,158,402.45	3,606,339,023.74
Other non-current financial assets	145,910,000.00	147,445,653.55
Investment property	5,943,159,568.00	5,082,362,293.11
Fixed assets	37,651,706,658.97	34,439,935,032.69
Construction in progress	179,857,941.83	5,476,122,928.95
Right-of-use assets	205,876,719.75	152,141,882.05
Intangible assets	1,774,624,509.33	1,781,061,904.51
Goodwill	32,916,531.95	5,969,626.57
Long-term prepaid expenses	51,061,485.49	48,203,408.71
Deferred income tax assets	1,084,164,679.14	892,442,631.04
Other non-current assets	58,886,418.75	173,875,826.67
Total non-current assets	55,693,207,773.61	53,006,476,022.54
Total assets	91,575,457,828.62	97,958,909,935.15

XIII Financial Report

Item	31 December 2020	31 December 2019
CURRENT LIABILITIES:		
Short term borrowings	32,793,992,957.86	36,883,156,014.19
Bills payable	2,998,936,736.34	1,515,048,206.00
Accounts payable	4,042,430,732.31	4,351,087,581.98
Contract liabilities	1,051,147,044.74	968,082,063.13
Employee benefits payable	232,376,585.31	190,229,883.52
Taxes payable	652,647,840.63	311,554,116.73
Other payables	1,956,715,367.83	2,594,249,626.54
Including: Interest payable	178,992,959.85	208,189,699.15
Non-current liabilities due within one year	7,160,949,615.93	5,662,958,920.03
Other current liabilities	157,037,833.35	222,402,500.00
Total current liabilities	51,046,234,714.30	52,698,768,912.12

XIII Financial Report

Item	31 December 2020	31 December 2019
NON-CURRENT LIABILITIES:		
Long-term borrowings	8,077,150,979.15	9,140,339,693.56
Bonds payable	1,536,877,351.46	1,258,270,909.49
Lease liabilities	60,271,769.90	59,697,128.65
Long-term payables	2,295,309,357.74	3,321,535,538.94
Provisions	325,259,082.28	325,259,082.28
Deferred income	1,637,996,636.51	1,771,013,335.11
Deferred income tax liabilities	6,572,535.97	1,411,125.59
Other non-current liabilities	789,521,686.07	3,042,841,328.86
Total non-current liabilities	14,728,959,399.08	18,920,368,142.48
Total liabilities	65,775,194,113.38	71,619,137,054.60

XIII Financial Report

Item	31 December 2020	31 December 2019
OWNERS' EQUITY:		
Share capital	2,984,208,200.00	2,904,608,200.00
Other equity instruments	5,473,500,000.00	7,465,500,000.00
Including: Preference Shares	4,477,500,000.00	4,477,500,000.00
Perpetual Bonds	996,000,000.00	2,988,000,000.00
Capital reserves	5,321,911,413.75	5,086,686,427.30
Less: Treasury shares	226,860,000.00	
Other comprehensive income	-561,686,607.66	-879,452,135.10
Surplus reserves	1,212,009,109.97	1,212,009,109.97
General risk provisions	74,122,644.20	74,122,644.20
Retained profit	9,999,764,028.74	9,306,269,617.38
Total equity attributable to owners of the Company	24,276,968,789.00	25,169,743,863.75
Minority interest	1,523,294,926.24	1,170,029,016.80
Total owners' equity	25,800,263,715.24	26,339,772,880.55
Total liabilities and owners' equity	91,575,457,828.62	97,958,909,935.15

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

2. Balance sheet of the Company

Unit: RMB

Item	31 December 2020	31 December 2019
CURRENT ASSETS:		
Monetary funds	4,720,330,804.07	9,001,257,324.52
Bills receivable	1,470,720,000.00	3,254,460,000.00
Accounts receivable	694,836,561.24	39,204,670.00
Accounts receivable financing	24,339,933.19	189,873,567.14
Prepayments	1,697,770,445.12	722,472,479.01
Other receivables	10,637,425,503.02	13,975,590,537.58
Including: Interest receivable		
Dividend receivable	200,000,000.00	
Inventories	637,293,495.29	696,487,727.53
Non-current assets due within one year	146,934,211.22	129,546,826.00
Other current assets	45,764,272.71	80,815,659.84
Total current assets	20,075,415,225.86	28,089,708,791.62

XIII Financial Report

Item	31 December 2020	31 December 2019
NON-CURRENT ASSETS:		
Long-term receivables	64,762,373.99	418,750,862.51
Long-term equity investments	22,192,108,035.92	23,629,780,317.87
Investment in other equity instruments		3,000,000.00
Other non-current financial assets	141,910,000.00	147,445,653.55
Fixed assets	3,984,339,880.51	3,901,007,932.88
Construction in progress	80,192,749.46	350,623,821.42
Intangible assets	534,900,368.31	446,430,156.00
Deferred income tax assets	418,717,829.13	426,711,909.98
Other non-current assets		110,930,000.00
Total non-current assets	27,416,931,237.32	29,434,680,654.21
Total assets	47,492,346,463.18	57,524,389,445.83

XIII Financial Report

Item	31 December 2020	31 December 2019
CURRENT LIABILITIES:		
Short-term borrowings	10,929,616,612.59	11,601,509,632.09
Bills payable	7,603,416,890.27	9,890,041,170.20
Accounts payable	812,111,491.23	833,526,295.40
Contract liabilities	156,487,086.88	2,096,436,345.90
Staff remuneration payables	89,416,732.50	71,040,017.13
Tax payables	147,669,266.97	76,872,851.56
Other payables	5,869,352,883.62	6,426,648,847.95
Including: Interest payable	97,497,305.56	127,278,083.35
Non-current liabilities due within one year	2,374,029,490.27	3,695,934,663.30
Other current liabilities	312,130,833.35	932,402,500.00
Total current liabilities	28,294,231,287.68	35,624,412,323.53

XIII Financial Report

Item	31 December 2020	31 December 2019
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,295,000,000.00	150,692,035.94
Bonds payable	439,957,250.00	89,070,000.00
Long-term payables	631,776,192.80	1,167,426,124.98
Provisions	325,259,082.28	325,259,082.28
Deferred income	38,017,165.55	42,070,840.27
Other non-current liabilities	1,194,883,344.67	2,789,283,340.67
Total non-current liabilities	3,924,893,035.30	4,563,801,424.14
Total liabilities	32,219,124,322.98	40,188,213,747.67

XIII Financial Report

Item	31 December 2020	31 December 2019
OWNERS' EQUITY:		
Share capital	2,984,208,200.00	2,904,608,200.00
Other equity instruments	5,473,500,000.00	7,465,500,000.00
Including: Preference Shares	4,477,500,000.00	4,477,500,000.00
Perpetual Bonds	996,000,000.00	2,988,000,000.00
Capital reserves	5,124,308,464.42	4,953,557,435.19
Less: Treasury shares	226,860,000.00	
Surplus reserves	1,199,819,528.06	1,199,819,528.06
Retained profit	718,245,947.72	812,690,534.91
Total owners' equity	15,273,222,140.20	17,336,175,698.16
Total liabilities and owners' equity	47,492,346,463.18	57,524,389,445.83

XIII Financial Report

3. Consolidated Income Statement

Unit: RMB

Item	Amount for 2020	Amount for 2019
I. Total revenue	30,736,517,996.90	30,395,434,073.35
Including: Revenue	30,736,517,996.90	30,395,434,073.35
II. Total operating costs	29,056,210,362.62	28,390,081,416.99
Including: Operating costs	23,645,594,186.21	22,750,269,749.38
Taxes and surcharges	250,528,855.40	275,933,439.81
Sales and distribution expenses	298,246,355.91	320,810,724.85
General and administrative expenses	1,025,420,660.39	1,134,725,391.84
Research and development expense	1,274,355,241.49	992,312,956.74
Finance expenses	2,562,065,063.22	2,916,029,154.37
Including: Interest expenses	3,125,361,069.00	3,573,865,213.86
Interest income	887,004,185.02	836,491,207.55
Plus: Other income	363,884,128.32	561,556,630.51
Investment income ("-" denotes loss)	173,363,537.49	174,000,822.89
Including: Investment income from associates and joint ventures	272,022,434.54	-2,995,932.01
Gain on change in fair value ("-" denotes loss)	6,261,281.76	26,692,741.61
Credit impairment loss ("-" denotes loss)	-651,724,871.57	-1,033,867,928.73
Loss on impairment of assets ("-" denotes loss)	-13,573,717.76	-120,991,683.19
Gain on disposal of assets ("-" denotes loss)	26,203,497.56	-29,073,731.05

XIII Financial Report

Item	Amount for 2020	Amount for 2019
III. Operating profit ("-" denotes loss)	1,584,721,490.08	1,583,669,508.40
Plus: Non-operating income	600,465,688.15	493,393,914.87
Less: Non-operating expenses	12,917,235.69	28,584,594.00
IV. Total profit ("-" denotes total loss)	2,172,269,942.54	2,048,478,829.27
Less: Income tax expenses	266,056,648.05	295,180,636.46
V. Net profit ("-" denotes net loss)	1,906,213,294.49	1,753,298,192.81
(I) Classification according to the continuity of operation		
1. Net profit from continuing operations ("-" denotes net loss)	1,906,213,294.49	1,689,474,069.20
2. Net profit from discontinued operations ("-" denotes net loss)		63,824,123.61
(II) Classification according to ownership		
1. Net profit attributable to shareholders of the Company	1,712,029,078.52	1,656,566,584.88
2. Profit or loss of minority interest	194,184,215.97	96,731,607.93
VI. Net other comprehensive income after tax	317,765,527.44	-142,931,954.09
Net other comprehensive income after tax attributable to shareholders of the Company	317,765,527.44	-142,931,954.09
Other comprehensive income that will be reclassified to profit and loss in subsequent periods	317,765,527.44	-142,931,954.09
including: Exchange differences arising from translation of financial statements denominated in foreign currencies	317,765,527.44	-142,931,954.09
VII. Total comprehensive income	2,223,978,821.93	1,610,366,238.72
Total comprehensive income attributable to shareholders of the Company	2,029,794,605.96	1,513,634,630.79
Total comprehensive income attributable to minority interest	194,184,215.97	96,731,607.93
VIII. Earnings per share:		
(I) Basic earnings per share	0.36	0.33
(II) Diluted earnings per share	0.36	0.33

For the business combination involving enterprises under common control during the reporting period, the net profit realised by the parties being absorbed before the combination was nil (the same period last year: nil).

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

XIII Financial Report

4. Income statement of the Company

Unit: RMB

Item	Amount for 2020	Amount for 2019
I. Revenue	8,510,073,793.88	6,914,154,801.19
Less: Operating costs	6,899,160,821.06	5,483,419,941.19
Taxes and surcharges	63,211,127.50	47,507,009.10
Sales and distribution expenses	7,441,664.84	10,628,480.40
General and administrative expenses	322,407,985.30	367,847,081.04
Research and development expense	286,590,211.63	292,447,426.29
Finance expenses	501,171,122.74	1,437,070,384.94
Including: Interest expenses	1,481,718,871.40	2,275,231,993.88
Interest income	1,057,852,559.80	980,330,079.03
Plus: Other income	59,165,073.44	78,722,787.60
Investment income ("-" denotes loss)	348,093,079.09	1,352,470,766.36
Including: Investment income from associates and joint ventures	6,412,281.95	-11,142,579.41
Gains on changes in fair value ("-" denotes loss)	9,464,346.45	46,445,653.55
Credit impairment loss ("-" denotes loss)	42,369,727.64	-128,688,655.59
Loss on impairment of assets ("-" denotes loss)		-77,447,218.54
Gain on disposal of assets ("-" denotes loss)	40,134,455.47	-30,388,143.09
II. Operating profit ("-" denotes loss)	929,317,542.90	516,349,668.52
Plus: Non-operating income	5,225,205.90	11,140,162.55
Less: Non-operating expenses	1,891,387.34	19,138,740.53
III. Total profit ("-" denotes total loss)	932,651,361.46	508,351,090.54
Less: Income tax expenses	7,994,080.85	-122,850,888.03
IV. Net profit ("-" denotes net loss)	924,657,280.61	631,201,978.57
(I) Net profit from continuing operations ("-" denotes net loss)	924,657,280.61	631,201,978.57
(II) Net profit from discontinued operations ("-" denotes net loss)		
V. Total comprehensive income	924,657,280.61	631,201,978.57
VI. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

XIII Financial Report

5. Consolidated cash flow statement

Item	Unit: RMB	
	Amount for 2020	Amount for 2019
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	35,114,699,022.80	34,573,214,070.98
Tax rebates received	71,675,835.40	111,119,105.01
Cash received relating to other operating activities	4,956,395,786.44	6,949,229,810.96
Subtotal of cash inflows from operating activities	40,142,770,644.64	41,633,562,986.95
Cash paid for goods and services	24,341,006,232.03	23,866,695,680.80
Cash paid to and for employees	1,421,974,787.06	1,457,717,966.62
Payments of taxes and surcharges	1,285,210,254.65	2,273,360,732.52
Cash paid relating to other operating activities	1,834,776,694.62	1,803,081,384.07
Subtotal of cash outflows from operating activities	28,882,967,968.36	29,400,855,764.01
Net cash flows from operating activities	11,259,802,676.28	12,232,707,222.94

XIII Financial Report

Item	Amount for 2020	Amount for 2019
II. Cash flows from investing activities:		
Cash received from investments	15,000,000.00	2,784,345.77
Cash received from investment income	26,760,712.33	12,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	131,924,763.00	137,211,301.99
Net cash received from disposal of subsidiaries and other business units	217,547,669.15	215,421,083.24
Cash received relating to other investing activities	409,282,077.65	767,670,000.00
Subtotal of cash inflows from investing activities	800,515,222.13	1,135,086,731.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	254,202,396.70	1,112,186,863.71
Cash paid on investments	471,299,932.73	1,947,322,879.24
Net cash paid for acquisition of subsidiaries and other business units	256,052,699.51	
Cash paid relating to other investing activities		101,130,000.00
Subtotal of cash outflows from investing activities	981,555,028.94	3,160,639,742.95
Net cash flows from investing activities	-181,039,806.81	-2,025,553,011.95
III. Cash flows from financing activities:		
Cash received from investments	952,070,000.00	423,000,000.00
Including: Cash received from subsidiaries from minority investment	725,210,000.00	423,000,000.00
Cash received from borrowings	25,471,909,126.85	28,631,245,817.48
Cash received relating to other financing activities	5,230,346,076.92	5,866,106,002.62
Subtotal of cash inflows from financing activities	31,654,325,203.77	34,920,351,820.10
Cash repayments of amounts borrowed	30,646,227,554.94	30,767,815,349.31
Cash paid for dividend and profit distribution or interest payment	3,090,605,089.86	3,530,178,266.59
Including: Dividend and profit paid by subsidiaries to minority shareholders	17,444,349.31	19,262,500.00
Cash paid relating to other financing activities	7,511,530,461.76	10,109,785,861.74
Subtotal of cash outflows from financing activities	41,248,363,106.56	44,407,779,477.64
Net cash flows from financing activities	-9,594,037,902.79	-9,487,427,657.54
IV. Effect of foreign exchange rate changes on cash and cash equivalents	14,116,969.70	-210,956,768.56
V. Net increase in cash and cash equivalents	1,498,841,936.38	508,769,784.89
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,890,328,027.41	2,381,558,242.52
VI. Balance of cash and cash equivalents as at the end of the period	4,389,169,963.79	2,890,328,027.41

XIII Financial Report

6. Cash flow statement of the Company

Unit: RMB

Item	Amount for 2020	Amount for 2019
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	8,315,495,593.76	7,719,183,653.24
Tax rebates received		
Cash received relating to other operating activities	1,094,213,214.09	1,561,317,548.23
Subtotal of cash inflows from operating activities	9,409,708,807.85	9,280,501,201.47
Cash paid for goods and services	7,355,500,996.59	3,634,400,369.89
Cash paid to and for employees	413,161,984.36	496,342,845.44
Payments of taxes and surcharges	225,151,450.32	206,120,796.96
Cash paid relating to other operating activities	872,500,967.87	1,113,784,472.34
Subtotal of cash outflows from operating activities	8,866,315,399.14	5,450,648,484.63
Net cash flows from operating activities	543,393,408.71	3,829,852,716.84
II. Cash flows from investing activities:		
Cash received from investments	1,481,345,237.36	228,794,345.77
Cash received from investment income	405,420,123.68	1,087,829,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	104,624,763.00	81,086,086.00
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	409,282,077.65	
Subtotal of cash inflows from investing activities	2,400,672,201.69	1,397,709,431.77
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	10,850,791.93	154,820,434.45
Cash paid on investments	82,290,000.00	1,278,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		101,130,000.00
Subtotal of cash outflows used in investing activities	93,140,791.93	1,533,950,434.45
Net cash flows from investing activities	2,307,531,409.76	-136,241,002.68
III. Cash flows from financing activities:		
Cash received from investments	226,860,000.00	
Cash received from borrowings	15,865,741,633.57	13,980,360,915.86
Cash received relating to other financing activities	5,490,509,924.46	5,007,324,754.27
Subtotal of cash inflows from financing activities	21,583,111,558.03	18,987,685,670.13

XIII Financial Report

Item	Amount for 2020	Amount for 2019
Cash repayments of amounts borrowed	16,517,425,606.56	10,970,294,184.80
Cash paid for dividend and profit distribution or interest payment	1,188,678,703.00	1,762,132,250.15
Cash paid relating to other financing activities	6,565,598,116.70	10,415,992,353.54
Subtotal of cash outflows from financing activities	24,271,702,426.26	23,148,418,788.49
Net cash flows from financing activities	-2,688,590,868.23	-4,160,733,118.36
IV. Effect of foreign exchange rate changes on cash and cash equivalents	2,622,051.57	-4,354,937.11
V. Net increase in cash and cash equivalents	164,956,001.81	-471,476,341.31
Plus: Balance of cash and cash equivalents as at the beginning of the period	136,328,721.71	607,805,063.02
VI. Balance of cash and cash equivalents as at the end of the period	301,284,723.52	136,328,721.71

7. Consolidated statement of changes in owners' equity

Amount for the reporting period

Item	2020										Unit: RMB
	Share capital	Preference Shares	Other equity instruments	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	
			Perpetual Bonds								
I. Balance as at the end of the prior year	2,949,680,200.00	4,477,500,000.00	2,980,000,000.00		5,066,886,427.30		470,452,155.10	1,212,005,100.97	25,162,743,683.75	1,170,029,016.00	25,332,772,861.55
II. Balance as at the beginning of the year	2,949,680,200.00	4,477,500,000.00	2,980,000,000.00		5,066,886,427.30		470,452,155.10	1,212,005,100.97	25,162,743,683.75	1,170,029,016.00	25,332,772,861.55
III. Changes in the period ("debits decrease")											
(I) Total comprehensive income	79,800,000.00		-1,992,000,000.00		285,224,986.45	228,860,000.00	317,765,327.44		-892,753,041.75	333,355,904.44	-539,509,165.31
(II) Capital paid in and reduced by owners	79,800,000.00		-1,992,000,000.00		285,224,986.45	228,860,000.00	317,765,327.44		2,029,794,663.96	194,194,215.97	2,223,970,824.39
1. Ordinary shares paid by owners									-1,994,053,113.55	646,180,728.23	-1,347,872,385.32
2. Capital paid by holders of other equity instruments										646,180,728.23	646,180,728.23
3. Amount of stock-based payments recognised in owners' equity			-1,992,000,000.00		-4,000,000.00				-2,000,000,000.00		-2,000,000,000.00
4. Others	79,800,000.00				179,751,023.23	228,860,000.00			31,491,029.23		31,491,029.23
(III) Profit distribution					64,473,957.22				64,473,957.22		64,473,957.22
1. Distribution to owners (or shareholders)								-1,016,534,687.16	-17,444,349.31	-1,033,979,036.47	-1,033,979,036.47
(IV) Transfer within owners' equity									-1,016,534,687.16	-17,444,349.31	-1,033,979,036.47
1. Others									-469,654,686.45		-469,654,686.45
IV. Balance as at the end of the period	2,949,680,200.00	4,477,500,000.00	988,000,000.00		5,351,914,413.75	228,860,000.00	-591,686,827.66	1,212,005,100.97	24,276,989,789.00	1,202,584,666.24	25,300,267,152.24

Amount for the prior period

2019

Equity attributable to owners of the Company

Item	Other equity instruments				Other comprehensive income		General		Subtotal	Minority interest	Total owners' equity			
	Share capital	Preference Shares	Perpetual Bonds	Others	Capital reserves	Less: treasury shares	income	Special reserves				Surplus reserves	Reserve provisions	Retained profit
(I) Balance as at the end of the reporting year	2,944,698,200.00	4,477,530,000.00	2,988,000,000.00		5,397,140,915.14		-78,320,181.01	9,357,998.47	1,148,888,921.11	64,123,949.23	9,107,429,680.65	25,108,719,164.79	822,693,773.30	25,937,191,228.09
(II) Balance as at the beginning of the year	2,944,698,200.00	4,477,530,000.00	2,988,000,000.00		5,397,140,915.14		-78,320,181.01	9,357,998.47	1,148,888,921.11	64,123,949.23	9,107,429,680.65	25,108,719,164.79	822,693,773.30	25,937,191,228.09
(III) Changes in the period ⁽¹⁾ (Items increased)					-4,783,487.84		-142,891,954.09	-9,357,998.47	63,120,197.86	9,988,724.97	188,846,696.53	121,017,408.96	347,889,043.50	468,081,632.46
(I) Total comprehensive income					-4,783,487.84		-142,891,954.09	-9,357,998.47	63,120,197.86	9,988,724.97	188,846,696.53	121,017,408.96	347,889,043.50	468,081,632.46
(II) Capital gain (and reduced) by owners					-4,783,487.84		-142,891,954.09				1,656,566,384.88	1,515,624,830.79	71,201,968.49	1,586,836,588.28
1. Other comprehensive income														
2. Other														
(III) Profit distribution					-4,783,487.84							-4,783,487.84		
1. Transfer to surplus reserves														
2. Transfer to general reserve provisions														
3. Distribution to owners (or shareholders)														
(IV) Transfer within owners' equity														
1. Other														
(V) Special reserves														
(VI) Others														
(VII) Balance as at the end of the reporting year	2,944,698,200.00	4,477,530,000.00	2,988,000,000.00		5,386,886,427.30		-478,142,135.10		1,221,008,109.97	71,122,844.20	9,306,288,617.38	25,159,749,883.75	1,170,029,018.60	26,330,777,888.35

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

Amount for the reporting period

Unit: RMB										
Item	2020				Other comprehensive income				Total owners' equity	
	Share capital	Preference Shares	Other equity instruments	Others	Capital reserves	Less: treasury shares	Special reserves	Retained profit		Others
I. Balance as at the end of the prior year	2,904,603,200.00	4,477,500,000.00	2,988,000,000.00		4,953,557,435.19		1,199,819,528.06	812,680,534.91		17,386,175,998.16
Others								-557,200.64		-557,200.64
II. Balance as at the beginning of the year	2,904,603,200.00	4,477,500,000.00	2,988,000,000.00		4,953,557,435.19		1,199,819,528.06	812,123,394.27		17,385,689,497.32
III. Changes in the period ("+" denotes increase)										
(I) Total comprehensive income	79,600,000.00		-1,992,000,000.00		170,751,029.23	226,660,000.00		-93,877,398.55		-2,062,386,357.32
(II) Capital paid in and reduced by owners	79,600,000.00		-1,992,000,000.00		170,751,029.23	226,660,000.00		924,657,280.61		924,657,280.61
1. Ordinary shares paid by owners										
2. Capital paid by holders of other equity instruments										-1,993,538,970.77
3. Amount of share-based payments recognised in owners' equity										-2,000,000,000.00
(III) Profit distribution	79,600,000.00				170,751,029.23	226,660,000.00		-1,018,534,667.16		31,491,029.23
1. Transfer to surplus reserves										-1,018,534,667.16
2. Distribution to owners (or shareholders)										-1,018,534,667.16
IV. Balance as at the end of the period	2,984,203,200.00	4,477,500,000.00	996,000,000.00		5,124,308,464.42	226,660,000.00	1,199,819,528.06	716,245,947.72		15,273,221,40.20

Unit: RMB

XIII Financial Report

Amount for the prior period

Item	2019										Unit: RMB	
	Other equity instruments				Other comprehensive income			Surplus reserves	Retained profit	Others		Total owners' equity
	Share capital	Preference Shares	Perpetual Bonds	Others	Capital reserves	Less: treasury shares	Special reserves					
I. Balance as at the end of the prior year	2,904,608,200.00	4,477,500,000.00	2,998,000,000.00		4,953,557,435.19		1,136,699,330.20	1,629,203,469.72		18,083,574,455.11		
II. Balance as at the beginning of the year	2,904,608,200.00	4,477,500,000.00	2,998,000,000.00		4,953,557,435.19		1,136,699,330.20	1,629,203,469.72		18,083,574,455.11		
III. Changes in the period ("+" denotes increase)							63,120,197.86	-816,518,954.81		-753,398,756.95		
(I) Total comprehensive income								631,201,978.57		631,201,978.57		
(II) Capital paid in and reduced by owners												
1. Ordinary shares paid by owners												
(III) Profit distribution												
1. Transfer to surplus reserves							63,120,197.86	-1,447,720,933.38		-1,384,600,735.52		
2. Distribution to owners (or shareholders)							63,120,197.86	-63,120,197.86				
(IV) Transfer within owners' equity								-1,384,600,735.52		-1,384,600,735.52		
1. Capital (or share capital) created on capital reserve												
(V) Special reserves												
1. Withdrawal												
2. Use												
(VI) Others												
IV. Balance as at the end of the period	2,904,608,200.00	4,477,500,000.00	2,998,000,000.00		4,953,557,435.19		1,198,819,528.06	812,680,534.91		17,336,175,698.16		

III. General Information of the Company

1. Company overview

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

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

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

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

As at 31 December 2020, the total share capital of the Company was changed to 2,984,208,200 shares. For details, please refer to Note VII. 38.

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

The Company and its subsidiaries (hereinafter referred to as the “Group”) are principally engaged in, among other things, processing and sale of paper products (including machine-made paper and paper board), paper making raw materials and machinery; generation and sale of electric power and thermal power; forestry, saplings growing, processing and sale of timber; manufacturing, processing and sale of wood products; and manufacturing and sale of laminated boards and fortified wooden floorboards, hotel service, and equipment financial and operating leasing, real estate and property service.

The financial statements and notes thereto were approved at the eighth meeting of the ninth session of the board of directors of the Group (the “Board”) on 25 March 2021.

2. Scope of consolidation

Subsidiaries of the Group included in the scope of consolidation in 2020 totalled 76. For details, please refer to Note VII “Equity in other entities”. The scope of consolidation of the Group during the year had 10 more companies included and three companies less compared to the prior year. For details, please refer to Note VIII “Changes in the scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

These financial statements are prepared in accordance with the accounting standards for business enterprises, the application guidelines thereof, interpretations and other related rules (hereinafter referred to as “ASBEs”) promulgated by the Ministry of Finance. In addition, the Group also discloses relevant financial information in accordance with the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” (revised in 2014) of the CSRC.

The financial statements are presented on a going concern.

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

2. Going concern

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

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in machine-made paper, electricity and heat, construction materials, paper making chemical products, financial leasing, hotel management and other operations. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition, determination of performance progress and R&D expenses based on their actual production and operation characteristics pursuant to the requirements under the relevant accounting standards for business enterprises. For details, please refer to this Note V. 27 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 34 “Change of Significant accounting policies and accounting estimates”.

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

These financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Group as at 31 December 2020 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for 2020.

2. Accounting period

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

3. Operating cycle

The operating cycle of the Group lasts for 12 months.

4. Functional currency

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

5. Preparation of consolidated financial statements

(1) Scope of consolidation

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

(2) Basis for preparation of the consolidated financial statements

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

5. Preparation of consolidated financial statements (Cont'd)

(3) Accounting treatment for loss of control over subsidiaries

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

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

6. Classification of joint arrangements and accounting treatment for joint ventures

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

(1) Joint operations

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

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

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

(2) Joint ventures

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

7. Standards for recognising cash and cash equivalents

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

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

(1) Foreign currency operations

The foreign currency operations of the Group are translated into the functional currency at the prevailing spot exchange rate on the date of exchange, i.e. usually the middle price of RMB exchange rate published by the People's Bank of China on that date in general and the same hereinafter.

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

(2) Translation of financial statements denominated in foreign currency

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

Income and expenses items in the income statement are translated at the average exchange rate for the period in which the transaction occurred.

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

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

9. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

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

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

(2) Classification and measurement of financial assets

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

Financial assets measured at amortised cost

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

9. Financial instruments (Cont'd)

(2) Classification and measurement of financial assets (Cont'd)

Financial assets measured at fair value through other comprehensive income

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

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

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

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

Financial assets measured at fair value through profit or loss

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

9. Financial instruments *(Cont'd)*

(2) Classification and measurement of financial assets *(Cont'd)*

Financial assets measured at fair value through profit or loss *(Cont'd)*

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

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

(3) Classification and measurement of financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities measured at amortised cost

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

9. Financial instruments (Cont'd)

(3) Classification and measurement of financial liabilities (Cont'd)

Classification between financial liabilities and equity instruments

A financial liability is a liability if:

- ① it has a contractual obligation to pay in cash or other financial assets to other parties.
- ② it has a contractual obligation to exchange financial assets or financial liabilities under potential adverse condition with other parties.
- ③ it is a non-derivative instrument contract which will or may be settled with the entity's own equity instruments, and the entity will deliver a variable number of its own equity instruments according to such contract.
- ④ it is a derivative instrument contract which will or may be settled with the entity's own equity instruments, except for a derivative instrument contract that exchanges a fixed amount of cash or other financial asset with a fixed number of its own equity instruments.

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities.

Where a financial instrument must or may be settled with the Group's own equity instruments, the Group's own equity instruments used to settle such instrument should be considered as to whether it is as a substitute for cash or other financial assets or for the purpose of enabling the holder of the instrument to be entitled to the remaining interest in the assets of the issuer after deducting all of its liabilities. For the former, it is a financial liability of the Group; for the latter, it is the Group's own equity instruments.

(4) Derivative financial instruments

The Group's derivative financial instruments are mainly forward foreign exchange contracts, which are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. A derivative financial instrument is recognised as an asset when the fair value is positive and as a liability when the fair value is negative. Any gain or loss arising from changes in fair value and not complying with the accounting requirements on hedging shall be recognised in profit or loss for current period.

(5) Fair value of financial instruments

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note V. 10.

V. Significant Accounting Policies and Accounting Estimates (*Cont'd*)

9. Financial instruments (*Cont'd*)

(6) Impairment of financial assets

The Group makes provision for impairment based on expected credit losses (ECLs) on the following items:

Financial assets measured at amortised cost;

Debt investments measured at fair value through other comprehensive income;

Measurement of ECLs

ECLs are the weighted average of credit losses of financial instruments weighted by the risk of default. Credit losses refer to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows expected to be received, i.e. the present value of all cash shortages.

The Group takes into account reasonable and well-founded information such as past events, current conditions and forecasts of future economic conditions, and calculates the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to be received weighted by the risk of default.

The Group measures ECLs of financial instruments at different stages. If the credit risk of the financial instrument did not increase significantly upon initial recognition, it is at the first stage, and the Group makes provision for impairment based on the ECLs within the next 12 months; if the credit risk of a financial instrument increased significantly upon initial recognition but has not yet incurred credit impairment, it is at the second stage, and the Group makes provision for impairment based on the lifetime ECLs of the instrument; if the financial instrument incurred credit impairment upon initial recognition, it is at the third stage, and the Group makes provision for impairment based on the lifetime ECLs of the instrument.

For financial instruments with low credit risk on the balance sheet date, the Group assumes that the credit risk did not increase significantly upon initial recognition, and makes provision for impairment based on the ECLs within the next 12 months.

Lifetime ECLs represent the ECLs resulting from all possible default events over the expected life of a financial instrument. The 12-month ECLs are the ECLs resulting from possible default events on a financial instrument within 12 months (or a shorter period if the expected life of the financial instrument is less than 12 months) after the balance sheet date, and is a portion of lifetime ECLs.

The maximum period to be considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk, including renewal options.

For the financial instruments at the first and second stages and with low credit risks, the Group calculates the interest income based on the book balance and the effective interest rate before deducting the impairment provisions. For financial instruments at the third stage, interest income is calculated based on the amortised cost after deducting impairment provisions made from the book balance and the effective interest rate.

For bills receivable, accounts receivable and contract assets, regardless of whether there is a significant financing component, the Group always makes provision for impairment at an amount equal to lifetime ECLs.

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

9. Financial instruments *(Cont'd)*

(6) Impairment of financial assets *(Cont'd)*

Measurement of ECLs *(Cont'd)*

When the Group is unable to assess the information of ECLs for an individual financial asset at a reasonable cost, it classifies bills receivable and accounts receivable into portfolios based on the credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Bills receivable

Bills receivable portfolio 1: Bank acceptance bills

Bills receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

Accounts receivable portfolio 1: Factoring receivables

Accounts receivable portfolio 2: Receivables from non-related party customers

Accounts receivable portfolio 3: Due from related party customers

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

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

Other receivables

The Group classifies other receivables into portfolios based on credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

Other receivables portfolio 1: Amount due from government authorities

Other receivables portfolio 2: Amount due from related parties

Other receivables portfolio 3: Other receivables

For other receivables classified as a portfolio, the Group calculates the ECLs based on default risk exposure and the ECL rate over the next 12 months or the entire lifetime.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

9. Financial instruments (Cont'd)

(6) Impairment of financial assets (Cont'd)

Long-term receivables

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

The Group classifies the finance lease receivables, deposits receivable and other receivables into portfolios based on the credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Finance lease receivables

Finance lease receivables portfolio 1: Receivables not past due

Finance lease receivables portfolio 2: Overdue receivables

B. Other long-term receivables

Other long-term receivables portfolio 1: Deposits receivable

Other long-term receivables portfolio 2: Other receivables

For deposits receivable and other receivables, the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, and calculates the ECLs based on default risk exposure and lifetime ECL rate.

Except for those of finance lease receivables and deposits receivable, the ECLs of other receivables and long-term receivables classified as a portfolio are measured based on default risk exposure and ECL rate over the next 12 months or the entire lifetime.

Debt investments and other debt investments

For debt investments and other debt investments, the Group measures the ECLs based on the nature of the investment, the types of counterparty and risk exposure, and default risk exposure and ECL rate within the next 12 months or the entire lifetime.

Assessment of significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly upon initial recognition, the Group compares the risk of default of the financial instrument at the balance sheet date with that at the date of initial recognition to determine the relative change in risk of default within the expected lifetime of the financial instrument.

In determining whether the credit risk has increased significantly upon initial recognition, the Group considers reasonable and well-founded information, including forward-looking information, which can be obtained without unnecessary extra costs or efforts. Information considered by the Group includes:

The debtor's failure to make payments of principal and interest on their contractually due dates;

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

9. Financial instruments (Cont'd)

(6) Impairment of financial assets (Cont'd)

Assessment of significant increase in credit risk (Cont'd)

An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);

An actual or expected significant deterioration in the operating results of the debtor;

Existing or expected changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the Group assesses whether there has been a significant increase in credit risk on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on their common credit risk characteristics, such as past due information and credit risk ratings.

The Group determines that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At balance sheet date, the Group assesses whether financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

Significant financial difficulty of the issuer or debtor;

A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;

For economic or contractual reasons relating to the debtor's financial difficulty, the Group having granted to the debtor a concession that would not otherwise consider;

It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Presentation of provisions for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk upon initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss for the current period. For financial assets measured at amortised cost, the provisions of impairment is deducted from the carrying amount of the financial assets presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Group makes provisions of impairment in other comprehensive income without reducing the carrying amount of the financial asset.

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

9. Financial instruments *(Cont'd)*

(6) Impairment of financial assets *(Cont'd)*

Write-offs

The book balance of a financial asset is directly written off to the extent that there is no realistic prospect of recovery of the contractual cash flows of the financial asset (either partially or in full). Such write-off constitutes derecognition of such financial asset. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

If a write-off of financial assets is later recovered, the recovery is credited to profit or loss in the period in which the recovery occurs.

(7) Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to another party other than the issuer of such financial assets (the transferee).

If the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the financial asset shall be derecognised. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the financial asset shall not be derecognised.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows: if the Group does not retain control, it derecognises the financial asset and recognises any resulting assets or liabilities; if the control over the financial asset is not waived, the relevant financial asset is recognised according to the extent of its continuing involvement in the transferred financial asset and the relevant liability is recognised accordingly.

(8) Offset of financial assets and financial liabilities

If the Group owns the legitimate rights of offsetting the recognised financial assets and financial liabilities, which are enforceable currently, and the Group plans to realise the financial assets or to clear off the financial liabilities on a net amount basis or simultaneously, the net amount of financial assets and financial liabilities shall be presented in the balance sheet upon offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Fair value measurement

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement.

The Group measures the relevant assets or liabilities at fair value, assuming that the orderly transaction of selling the assets or transferring the liabilities is conducted in the main market of the relevant assets or liabilities; in the absence of the main market, the Group assumes that the transaction is conducted in the most advantageous market for the relevant asset or liability. The main (or the most advantageous) market must be accessible to by the Group on the measurement date. The Group uses assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For financial assets or financial liabilities exist in an active market, fair value is determined based on the quoted price in such market. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques.

Fair value measurement for a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, and gives priority to relevant observable inputs. Unobservable inputs are used only when relevant observable inputs are not accessible or the access to which is impracticable.

All assets and liabilities measured at fair value or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs are available quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date; Level 2 inputs are inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group re-assess them at each balance sheet date to determine whether transfers have occurred between levels in the hierarchy.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

11. Inventories

(1) Classification of inventories

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

(2) Pricing of inventories dispatched

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

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

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

(3) Recognition of net realisable value of inventories and provision for inventory impairment

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

At the balance sheet date, provision for inventory impairment is made when the cost is higher than the net realisable value. The Group usually makes provision for inventory impairment based on categories of inventories. At the balance sheet date, in case the factors causing inventory impairment no longer exists, the original provision for inventory impairment shall be reversed.

(4) Inventory stock taking system

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

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

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

Packaging materials for turnover are amortised when issued for use.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

12. Held for sale and discontinued operations

(1) Classification and measurement of non-current assets or disposal groups held for sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange with commercial substance) rather than through continuing use.

The aforesaid non-current asset does not include the investment property subsequently measured at fair value, the biological assets measured at the net amount of the fair value deducting the sales expense, the assets generated from remuneration, financial assets, deferred income tax assets and rights from insurance contract.

A disposal group is a group of assets to be disposed of together as a whole by sale or other means in a transaction, and liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstances, the disposal group includes the goodwill acquired in the business combination.

A non-current asset or a disposal group is classified as held for sale if it meets all of the following conditions: the non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; the sale is highly probable, i.e. a sale plan has been resolved and a firm purchase commitment has been obtained, and the sale is expected to be completed within one year. When the Group loses control of a subsidiary due to reasons such as disposal of investment in a subsidiary, regardless of whether the Group retains part of the equity investment after the disposal, when the investment in a subsidiary intended to be disposed of meets the conditions for classification as held for sale, the investment in a subsidiary is classified as held for sale as a whole in the separate financial statements, and all assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

When the non-current assets or disposal groups held for sale are initially measured or remeasured at the balance sheet date, the excess of the carrying amount over the net amount of the fair value less selling expenses is recognised as asset impairment loss. For the amount of impairment loss recognised on disposal groups held for sale, the carrying amount of the goodwill of the disposal group shall be offset against first, and then be offset against the carrying amount of non-current assets according to the proportion of the carrying amount of non-current assets.

If the net amount of the fair value of the non-current assets or disposal groups held for sale less the selling expenses increases on the subsequent balance sheet date, the amount previously written down shall be recovered and reversed in the amount of asset impairment loss recognised after being classified as held for sale, and the reversed amount shall be included in the current profit and loss. The carrying amount of goodwill written off shall not be reversed.

Non-current assets held for sale and assets in disposal group held for sale are not depreciated or amortised. Interest and other expenses of a disposal group classified as held for sale continue to be recognised. For all or part of an investment in an associate or a joint venture that is classified as held for sale, the part of being classified as held for sale shall cease to be accounted for using the equity method, while any retained portion (not classified as held for sale) shall continue to be accounted for using the equity method; The Group ceases to use the equity method from the date when the Group ceases to have significant influence over an associate or a joint venture.

If a non-current asset or disposal group is classified as held for sale but subsequently no longer meets the criteria for being classified as held for sale, the Group shall cease to classify it as held for sale and measure it at the lower of:

- ① the carrying amount of the asset or disposal group before being classified as held for sale is adjusted by the depreciation, amortisation or impairment that would have been recognised if the asset or disposal group had not been classified as held for sale;
- ② recoverable amount.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

12. Held for sale and discontinued operations (Cont'd)

(2) Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished separately, and meets one of the following conditions:

- ① The component represents a separate major line of business or geographical area of operations.
- ② The component is part of a related plan to dispose of a separate major line of business or geographical area of operations.
- ③ The component is a subsidiary acquired exclusively with a view to resale.

(3) Presentation

The Group presents the non-current assets held for sale or the assets in the disposal group held for sale as “assets held-for-sale” and the liabilities in the disposal group held for sale as “liabilities held-for-sale” in the balance sheet.

The Group presents profit or loss from continuing operations and profit or loss from discontinued operations in the income statement. For non-current assets and disposal groups held for sale that do not meet the definition of discontinued operation, their impairment losses and reversal amounts and gains or losses are presented as profit or loss from continuing operations. Operating profit or loss such as impairment loss and reversal amount of discontinued operation and disposal gain or loss are presented as profit or loss from discontinued operation.

Disposal groups that are intended to be closed for use rather than for sale and meet the conditions for the components in the definition of discontinued operations are presented as discontinued operations from the date of cessation of use.

For the discontinued operations presented in the current period, the information originally presented as profit or loss from continuing operations in the current financial statements is re-presented as profit or loss from discontinued operations in the comparable accounting period. If the discontinued operations no longer meet the conditions for being classified of held-for-sale, the information originally presented as profit or loss from discontinued operations in the current financial statements shall be re-presented as profit or loss from continuing operations in the comparable accounting period.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

13. Long-term equity investments

Long-term equity investments include the equity investments in subsidiaries, joint ventures and associates. Associates of the Group are those investees that the Group imposes significant influence over.

(1) Determination of initial investment cost

Long-term equity investments acquired through business combinations: for a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of the owners' equity under the consolidated financial statements of the ultimate controlling party on the date of combination. For a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost of the long-term equity investment shall be the cost of combination.

Long-term equity investments acquired through other means: for a long-term equity investment acquired by cash payment, the initial investment cost shall be the purchase cost actually paid; for a long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of equity securities issued.

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

Investments in subsidiaries shall be accounted for using the cost method. Except for the investments which meet the conditions of holding for sale, investments in associates and joint ventures shall be accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, the cash dividends or profits declared by the investees for distribution shall be recognised as investment gains and included in profit or loss for the current period, except the case of receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration.

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

13. Long-term equity investments (Cont'd)

(2) Subsequent measurement and method for profit or loss recognition (Cont'd)

For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the initial investment cost under the equity method shall be the aggregate of fair value of previously held equity investment and additional investment cost on the date of transfer. The difference between the fair value and carrying amount of previously held equity investment on the date of transfer and the accumulated change in fair value originally included in other comprehensive income shall be recognised in the profit or loss for the current period under the equity method.

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

13. Long-term equity investments (Cont'd)

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

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

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

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

(4) Method for impairment test and measurement of impairment provision

For the method for making impairment provision for the investment in subsidiaries, associates and joint ventures, please refer to Note V. 21.

14. Investment property

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. The investment property of the Group includes leased land use rights, land use rights held for sale after appreciation, and leased buildings.

The investment property of the Group is measured initially at cost upon acquisition, and subject to depreciation or amortisation in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

14. Investment property (Cont'd)

For the method for making impairment provision for the investment property adopted cost method for subsequent measurement, please refer to Note V. 20.

When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

15. Fixed assets

(1) Conditions for recognition

Fixed assets of the Group are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. A fixed asset of the Group shall be initially measured at actual cost when acquired.

(2) Depreciation method

Category	Depreciation method	Useful lives of depreciation (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building structure	Straight-line method	20-40	5-10	2.25-4.75
Machinery and equipment	Straight-line method	8-20	5-10	4.50-11.88
Transportation equipment	Straight-line method	5-8	5-10	11.25-19.00
Electronic equipment and others	Straight-line method	5	5-10	18.00-19.00

The Group adopts the straight-line method for depreciation. Provision for depreciation will be started when the fixed asset reaches its expected usable state, and stopped when the fixed asset is derecognised or classified as a non-current asset held for sale. Without regard to the depreciation provision, the Group determines the depreciation rate by category, estimated useful lives and estimated residual value of the fixed assets. Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

(3) The impairment test method and impairment provision method of the fixed assets are set out in Note V. 21.

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

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

(5) Overhaul expense

For the overhaul expense incurred by the Group during the regular inspection on the fixed assets, if there is concrete evidence to prove that it meets the fixed asset recognition condition, it shall be included in the cost of fixed asset; if it does not meet the fixed asset recognition condition, it shall be included in the profit or loss for the current period. The depreciation of fixed assets shall be continued in the intervals of the regular overhaul of the fixed asset.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

16. Construction in progress

Construction in progress of the Group is recognised based on the actual construction cost, including all necessary expenditures incurred for construction projects, capitalised borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period.

A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

The method for impairment provision of construction in progress is set out in Note V. 21.

17. Materials for project

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

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

The method for impairment provision of materials for project is set out in Note V. 21.

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

18. Borrowing costs

(1) Recognition principle for the capitalisation of the borrowing costs

The borrowing costs incurred by the Group directly attributable to the acquisition, construction or production of a qualifying asset will be capitalised and included in the cost of relevant asset. Other borrowing costs will be recognised as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period. When the borrowing costs meet all the following conditions, capitalisation shall be started:

- ① The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest-bearing liabilities for acquiring, constructing or producing the qualifying assets;
- ② The borrowing costs have been incurred;
- ③ The acquisition, construction or production activity necessary for the asset to be ready for its intended use or sale has been started.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

18. Borrowing costs (Cont'd)

(2) Capitalisation period of borrowing costs

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

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

19. Intangible assets

(1) Measurement method, useful life and impairment testing

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

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

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

Type	Useful life (year)	Method of amortisation	Remark
Land use rights	50-70	Straight-line method	
Software	5-10	Straight-line method	
Certificates of third party right	3	Straight-line method	

The Group reviews the useful life and amortisation method of the intangible assets with finite useful life at the end of each year. If it is different from the previous estimates, the original estimates will be adjusted, and will be treated as a change in accounting estimate.

If it is estimated on the balance sheet date that certain intangible asset can no longer bring future economic benefit to the company, the carrying amount of the intangible asset will be entirely transferred into the profit or loss for the current period.

The impairment method for the intangible assets is set out in Note V. 21.

20. Research and development expenditure

Research and development expenditure of the Group is divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenses incurred during the research phase and the development phase are recognised in profit or loss in the current period.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

21. Asset impairment

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

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

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

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

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

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

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

22. Long-term prepaid expenses

The long-term prepaid expenses incurred by the Group shall be recognised based on the actual cost, and evenly amortised over the estimated benefit period. For the long-term prepaid expense that cannot benefit the subsequent accounting periods, its value after amortisation shall be entirely included in the profit or loss for the current period.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

23. Employee benefits

(1) Scope of employee benefits

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

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

(2) Short-term staff remuneration

Employee wages or salaries actually incurred, bonuses, and social insurance contributions such as medical insurance, work injury insurance, maternity insurance, and housing fund, contributed at the applicable benchmarks and rates, are recognised as a liability as the employees provide services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Where the payment of liability is expected not to be fully settled within 12 months after the end of the annual reporting period in which the employees render the related services, and the financial impact would be material, these liabilities are measured at their discounted values.

(3) Post-employment benefits

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

Defined contribution plans

Defined contribution plans include basic pension insurance and unemployment insurance, both of which are operated and managed by the government authorities and are non-refundable, whereas the Company has no access nor any discretion after making contributions, and hence there were not any forfeited contributions as under paragraph 26(2) of appendix 16 of the Hong Kong Listing Rules for the financial year ended 31 December 2020. In other words, the Group did not forfeit any contributions on behalf of its employees who leave the plan prior to vesting fully in such contributions. Hence, there were no such an issue whether forfeited contributions may be used by the Group under paragraph 26(2) of appendix 16 of the Hong Kong Listing Rules for the Group.

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

(4) Termination benefits

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

23. Employee benefits (Cont'd)

(5) Other long-term employee benefits

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

24. Provisions

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

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

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

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

25. Share-based payments and equity instruments

(1) Category of share-based payment

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

(2) Fair value of equity instruments

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

25. Share-based payments and equity instruments (Cont'd)

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

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

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

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

26. Preference Shares, Perpetual Bonds and other financial instruments

(1) Classification of financial liabilities and equity instruments

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

(2) Accounting treatment of Preference Shares, Perpetual Bonds and other financial instruments

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

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

27. Revenue

(1) General principles

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

27. Revenue (Cont'd)

(1) General principles (Cont'd)

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

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

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

The Group's right to consideration in exchange for goods or services that the Group has transferred to customers (and such right depends on factors other than passage of time) is accounted for as contract assets, and contract assets are subject to impairment based on ECLs. The Group's unconditional right to receive consideration from customers (only depends on passage of time) is accounted for as accounts receivable. The Group's obligation to transfer goods or services to customers for which the Group has received or should receive consideration from customers is accounted for as contract liabilities.

Contract assets and contract liabilities under the same contract are presented on a net basis. Where the net amount has a debit balance, it is presented in "contract assets" or "other non-current assets" according to its liquidity. Where the net amount has a credit balance, it is presented in "contract liabilities" or "other non-current liabilities" according to its liquidity.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

27. Revenue (Cont'd)

(2) Specific methods

Specific method for revenue recognition of machine-made paper business of the Group: in terms of domestic sales of machine-made paper, revenue is recognised when goods are delivered to the customers and such deliveries are confirmed; while in terms of overseas sales of machine-made paper, revenue is recognised on the day when goods are loaded on board and declared.

Specific method for recognition of finance lease income of the Group: according to the repayment schedule, the income is recognised by instalments according to the effective interest rate.

Specific method for recognition of revenue from real estate of the Group: revenue is recognised by amortising the rental income on a straight-line basis over the lease term.

28. Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

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

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

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

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the asset in a reasonable and systematic manner. For a government grant related to revenue, if the grant is a compensation for related costs, expenses or losses incurred, the grant shall be recognised in profit or loss for the current period; if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, the grant shall be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs, expenses or losses are recognised. A government grant measured at nominal amount is directly included in profit or loss for the current period. The Group adopts a consistent approach to the same or similar government grants.

A government grant related to daily activities is recognised in other gains relying on the essence of economic business; otherwise, recognised in non-operating income or non-operating expenses.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment shall be off set against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; otherwise, the repayment shall be recognised immediately in profit or loss for the current period.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

28. Government grants (Cont'd)

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

29. Deferred income tax assets/deferred income tax liabilities

Income tax comprises current income tax expense and deferred income tax expense, which are included in profit or loss for the current period as income tax expenses, except for deferred tax related to transactions or events that are directly recognised in owners' equity which are recognised in owners' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base at the balance sheet date of the Group shall be recognised as deferred income tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognises a deferred income tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected accordingly.

At the balance sheet date, the Group reviews the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

30. Lease

(1) Identification of leases

On the beginning date of the contract, the Group (as a lessee or lessor) assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use. If a contract conveys the right to control the use of an identified asset and multiple identified assets for a period of time in exchange for consideration, the Group identifies such contract is, or contains, a lease.

(2) The Group as lessee

On the beginning date of the lease, the Group recognises right-of-use assets and lease liabilities for all leases, except for short-term lease and low-value asset lease with simplified approach.

The accounting policy for right-of-use assets is set out in Note V. 31.

The lease liability is initially measured at the present value of the lease payments that are not paid at the beginning date of the lease using the interest rate implicit in the lease or the incremental borrowing rate. Lease payments include fixed payments and in-substance fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating; and amounts expected to be payable by the lessee under residual value guarantees. Subsequently, the interest expense on the lease liability for each period during the lease term is calculated using a constant periodic rate of interest and is recognised in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and is included in the current profit and loss. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss when incurred.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

30. Lease (Cont'd)

(2) The Group as lessee (Cont'd)

Short-term lease

Short-term leases refer to leases with a lease term of less than 12 months from the commencement date, except for those with a purchase option.

Lease payments on short-term leases are recognised in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

For short-term leases, the Group chooses to adopt the above simplified approach for the following types of assets that meet the conditions of short-term lease according to the classification of leased assets.

- Low-value machinery and equipment
- Transportation vehicles

Low-value asset lease

A low-value asset lease is a lease that the value of a single leased asset is below RMB2,000,000 when it is a new asset.

For a low-value asset lease, the Group chooses the above simplified approach based on the specific circumstances of each lease.

Lease payments on low-value asset leases are recognised on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

(3) The Group as lessor

When the Group is a lessor, a lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All leases other than financial leases are classified as operating leases.

Operating lease

Lease payments under operating leases are recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in relation to operating leases are capitalised and amortised over the lease term on the same basis as rental income and recognised in profit or loss for the current period. The variable lease payments obtained in relation to operating leases that are not included in the lease payments are recognised in profit or loss in the period in which they actually incurred.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

30. Lease (Cont'd)

(4) Sublease

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

(5) Sale and leaseback

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

Where asset transfer under the sale and leaseback transactions is a sale, the lessee shall measure the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognise relevant profit or loss for the right transferred to the lessor. The lessor shall account for the purchase of assets in accordance with other applicable ASBEs and account for the lease of assets in accordance with this standard.

Where asset transfer under the sale and leaseback transactions is not a sale, the lessee shall continue to recognise the transferred assets while recognising a financial liability equal to the transfer income and account for such liability according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; or not to recognise the transferred assets but recognise a financial asset equal to the transfer income and account for such asset according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

31. Right-of-use assets

(1) Conditions for recognition of right-of-use assets

Right-of-use assets of the Group are defined as the right of underlying assets in the lease term for the Group as a lessee.

Right-of-use assets are initially measured at cost at the commencement date of the lease. The cost includes the amount of the initial measurement of lease liability; lease payments made at or before the inception of the lease less any lease incentives enjoyed; initial direct costs incurred by the Group as lessee; costs to be incurred in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease incurred by the Group as lessee. As a lessee, the Group recognises and measures the costs of dismantling and restoration in accordance with the Accounting Standard for Business Enterprises No. 13 – Contingencies. Subsequently, the lease liability is adjusted for any remeasurement of the lease liability.

(2) Depreciation method of right-of-use assets

The Group uses the straight-line method for depreciation. Where the Group, as a lessee, is reasonably certain to obtain ownership of the leased asset at the end of the lease term, such asset is depreciated over the remaining useful life of the leased asset. Where ownership of the lease assets during the lease term cannot be reasonably determined, right-of-use assets are depreciated over the lease term or the remainder of useful lives of the lease assets, whichever is shorter.

(3) For the methods of impairment test and impairment provision of right-of-use assets, please refer to Note V. 21.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

32. General risk reserves

General risk reserve is a reserve provided from net profit for the partial offset unidentified possible losses.

Adopting the principle of dynamic provisioning, the Finance Company employs the standard method to quantitatively analyse the risk situation faced by risk assets, to determine the estimated potential risk value. After calculating the potential risk value, if the potential risk value is higher than the provision for impairment of assets, the accrued provision for impairment of assets will be deducted and provision for general risk will be made. If the potential risk value is lower than the provision for impairment of assets, provision for general risk will not be made.

Dynamic provisioning is a counter-cyclical provisioning method adopted by financial companies based on changes in the macroeconomic situation, as in, in the upward macroeconomic cycle and when the risk asset default rate is relatively low, more provisions are made to enhance financial buffer capacity; and in the downturn macroeconomic cycle and when the risk asset default rate is relatively high, the accumulated provisions are used to absorb asset losses.

The Finance Company makes general risk provisions for assets bearing risks and losses at the end of each year, the balance of which, in principle, shall not be lower than 1.5% of the closing balance of risk assets. The risk provision made by factoring companies shall not be lower than 1% of the closing balance of the financial factoring business.

Based on changes in the macroeconomic situation, and with reference to non-performing corporate loans, non-performing loan ratio, provision coverage ratio for non-performing loans, loan provision ratio, standard risk factor and the requirement of general risk provision as a percentage of risk assets, the Ministry of Finance makes adjustments to the scope of risk assets for general risk provisions, standard risk factor and the requirement of general risk provision as a percentage of risk assets as appropriate. The Finance Company shall make adjustments accordingly according to the requirements of the Ministry of Finance.

Provisions for general risk are insufficient, in principle, the company shall not engage in after-tax profit distribution. As considered and approved by the board of directors and general meeting of the Finance Company, such provisions may be used to offset losses but not for dividends. For special reasons, as approved by the Board and the general meeting, general risk reserves may be reclassified into undistributed profits.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

33. Critical accounting judgments and estimates

The Group gives continuous assessment on, among other things, the reasonable expectations of future events and the critical accounting estimates and key assumptions adopted according to its historical experience and other factors. The critical accounting estimates and key assumptions that are likely to lead to significant adjustment risks of the carrying amount of assets and liabilities for the next financial year are listed as follows:

Classification of financial assets

Significant judgements involved in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

Factors considered by the Group in determining the business model for a group of financial assets include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how the relevant management personnel are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost. For example, whether the amount repaid in advance reflects only the outstanding principal and interest thereon, as well as reasonable compensation paid for early termination of the contract.

Measurement of the ECLs of accounts receivable

The Group calculates the ECLs of accounts receivable using the exposure to default risk and ECL rate of accounts receivable, and determines the ECL rate based on default probability and default loss rate. When determining the ECL rate, the Group adjusts its historical data by referring to information such as historical credit loss experience as well as current situation and forward-looking information. When considering the forward-looking information, indicators used by the Group include the risk of economic downturn, external market environment, technology environment and changes in customers. The assumptions relating to the ECL calculation are monitored and reviewed by the Group on a regularly basis.

Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-based payments

When calculating the liabilities and expenses related to the equity incentive plan, the management of the Company is required to make judgments and estimates on issues such as the turnover rate and vesting conditions. Differences in the judgments and estimates will have a material effect on the financial statements.

Impairment of goodwill

The Group assesses the impairment of goodwill at least annually, which requires estimates on the use value of asset groups allocated with goodwill. When estimating use value, the Group is required to estimate the future cash flow from such asset groups while selecting the appropriate discount rate to calculate the present value of future cash flow.

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

33. Critical accounting judgments and estimates (Cont'd)

Impairment of goodwill (Cont'd)

Depreciation

The Group uses the straight-line method for depreciation within the estimated useful lives of fixed assets after taking into account their residue value. The Group regularly reviews the expected useful lives to determine the amount of depreciation accounted for each reporting period. Expected useful life is determined based on historical experience of similar assets and the estimated technical changes. Depreciation expenses for future periods will be adjusted accordingly in the event of significant changes in previous estimates.

34. Changes in significant accounting policies and estimates

(1) Changes in significant accounting policies

① Accounting Standards for Business Enterprises Interpretation No. 13

In December 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 13 (Cai Kuai [2019] No. 21) (hereinafter referred to as the "Interpretation No. 13").

The Interpretation No. 13 modified the three factors constituting a business, specified the determining conditions for businesses, and introduced "concentration test" for purchasers in business combinations under common control when determining whether the operating activities or asset portfolio acquired constitutes a business.

The Interpretation No. 13 clarified that the related parties of an enterprise include the associates and joint ventures of other common member units, including parent companies and subsidiaries, of the group, as well as the associates and joint ventures of investors in joint control of the enterprise.

The Interpretation No. 13 came into effect on 1 January 2020. The Group has applied the prospective application method for the accounting treatment of the above change in accounting policies.

The application of Interpretation No. 13 did not have any material effect on the financial position, operating results or related party disclosure of the Group.

② In June 2019, the Ministry of Finance issued the Notice on Provisions on Accounting Treatment of Covid-19-related Rent Concessions (Cai Kuai [2020] No. 10) (關於印發《新冠肺炎疫情相關租金減讓會計處理規定》的通知(財會〔2020〕10號)). Under such accounting treatment, a simplified approach may be applied for the Covid-19-related rent concessions.

The Group did not apply the simplified approach under the notice. As such, the notice did not have any material effect on the financial position or operating results of the Group.

(2) Changes in significant accounting estimates

The Group did not have any changes in significant accounting estimates during the year.

(3) Adjustment to the relevant items in the financial statements at the beginning of the year due to the first adoption of the New Revenue Standard and the New Leases Standard in 2020

Not applicable

(4) Reason for retrospective adjustment to the comparative data in the prior period due to the first adoption of the New Revenue Standard and the New Leases Standard in 2020

☐ Applicable ☒ Not applicable

VI. Taxation

1. Main tax types and tax rates

Tax type	Tax base	Tax rate (%)
Value added tax (VAT)	Taxable income	13/9/6
Urban maintenance and construction tax	Turnover tax payable	7
Enterprise income tax (EIT)	Taxable income	25
Property tax	Rental income and property price	1.2/12

Disclosure of taxable entities subject to different EIT tax rates

Name of taxable entity	EIT tax rate (%)
Shandong Chenming Paper Holdings Limited	15
Shouguang Meilun Paper Co., Ltd.	15
Jilin Chenming Paper Co., Ltd.	15
Jiangxi Chenming Paper Co., Ltd.	15
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	15
Huanggang Chenming Pulp & Paper Co., Ltd.	15
Kunshan Tuoan Plastic Products Co., Ltd.	15
Shouguang Shun Da Customs Declaration Co, Ltd.	10
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	10
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Nanchang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Chenming Arboriculture Co., Ltd.	Exempt from EIT
Yangjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT

2. Tax incentives

(1) Enterprise income tax

On 16 August 2018, the Group received a high and new technology enterprise certificate with a certification number of GR201837000311. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, the Group is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR201837000455 on 16 August 2018. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR201922000658 on 2 September 2019. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jilin Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise income tax (Cont'd)

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR201936002184 on 3 December 2019. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jiangxi Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR20184400547 on 28 November 2018. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Zhanjiang Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

Wuhan Chenming Hanyang Paper Holdings Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR202042001502 on 1 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Wuhan Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Huanggang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR202042001471 on 1 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Huanggang Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Kunshan Tuoan Plastic Products Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR202032004526 on 2 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Kunshan Tuoan is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Pursuant to the requirements of Rule 27(1) of Law of the People's Republic of China on Enterprise Income Tax and Rule 86(1) of regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd., Yangjiang Chenming Arboriculture Development Co., Ltd., Nanchang Chenming Arboriculture Development Co., Ltd. and Chenming Arboriculture Co., Ltd., which are the subsidiaries of the Group, have completed the filings for EIT reduction for exemption from EIT.

Shouguang Shun Da Customs Declaration Co, Ltd. and Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd., which are subsidiaries of the Group, are small and micro enterprises. Pursuant to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13), the annual taxable income of a small low-profit enterprise that is more than RMB1 million but not exceeding RMB3 million shall be included in its taxable income at a reduced rate of 50%, with the applicable enterprise income tax rate of 10%.

VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise income tax (Cont'd)

Guangdong Chenming Panels Co., Ltd., a subsidiary of the Group, meets the requirements of Rule 99 of the Regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax (Decree No. 512 of the State Council of the People's Republic of China) and the Notice of the Ministry of Finance and the State Taxation Administration on Issues Concerning the Implementation of the Catalogue of Preferential Tax Treatments for Comprehensive Resource Utilisation Enterprises (Cai Shui [2008] No. 47): since 1 January 2008, for enterprises that derive income from the products listed in the Catalogue which are in line with related national or industry standards by making use of the resources listed in the Catalogue as the main raw materials, taxable income will be calculated at a reduced rate of 90% of the total revenue for that year. To be entitled to the above tax benefits, the ratio of the resources listed in the Catalogue and the raw materials used for the product shall be consistent with the required technical standards stated in the Catalogue.

(2) Value-added Tax ("VAT")

Pursuant to Rule 10 of the Interim Regulation of the People's Republic of China on Value Added Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd., Yangjiang Chenming Arboriculture Development Co., Ltd., Nanchang Chenming Arboriculture Development Co., Ltd. and Chenming Arboriculture Co., Ltd., which are subsidiaries of the Group, are exempt from VAT, and have completed the filings for VAT reduction for exemption from VAT.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Zhanjiang Chenming New-style Wall Materials Co., Ltd., a subsidiary of the Company, produces products applying raw materials containing more than 30% of fly ash. It belongs to a company that uses pollutants for production, and is therefore subject to the immediate VAT refund policy in 2019.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Shandong Chenming Panels Co., Ltd., a subsidiary of the Group, produces products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2019.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Shouguang Chenming Cement Co., Limited, a subsidiary of the Company, produces products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2019.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Guangdong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2020.

XIII Financial Report

VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	2,161,684.57	2,418,131.86
Bank deposit	4,387,725,487.05	2,965,127,198.70
Other monetary funds	13,369,650,427.36	16,338,984,142.77
Total	17,759,537,598.98	19,306,529,473.33
Of which: Total deposits in overseas banks	229,837,092.53	405,881,189.78

Other explanation

- ① Other monetary funds of RMB9,078,202,110.72 were the guarantee deposit for the application for bank acceptance with the banks by the Group;
- ② Other monetary funds of RMB1,782,633,856.06 were the guarantee deposit for the application for letter of credit with the banks by the Group;
- ③ Other monetary funds of RMB1,959,246,666.67 were the guarantee deposit for the application for guarantees with the banks by the Group;
- ④ Other monetary funds of RMB50,000,000.00 were the guarantee deposit for the application for loans with the banks by the Group;
- ⑤ Other monetary funds of RMB141,670,000.00 were the Group's statutory reserve deposits at the People's Bank of China;
- ⑥ Other monetary funds of RMB10,899,698.53 were locked-up due to litigations, resulting in restriction on the use of that account's balance;
- ⑦ Bank deposit included interest receivable of RMB717,207.83, and other monetary funds included interest receivable of RMB346,998,095.38.

2. Financial assets held for trading

Unit: RMB

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

Other explanation:

Financial assets held for trading were shares of Bohai Bank subscribed by the Group. For details of restricted ownership, please refer to note VII. 63.

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

3. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	ECL rate		Amount	Percentage	Amount	ECL rate	
Accounts receivable assessed individually for impairment	338,943,643.26	13.70%	338,943,643.26	100.00%	117,277,135.48	3.81%	117,277,135.48	100.00%		
Of which:										
Accounts receivable assessed collectively for impairment	2,135,216,813.32	86.30%	150,285,147.50	7.04%	1,984,931,665.82	2,960,085,058.36	96.19%	435,001,747.33	14.70%	2,525,083,311.03
Of which:										
Due from related party customers	2,000,017.96	0.08%	87,306.27	4.37%	1,912,711.69	2,008,185.60	0.07%	61,132.79	3.04%	1,947,052.81
Receivables from non-related party customers	1,815,359,418.67	73.37%	97,096,893.56	5.35%	1,718,262,525.11	2,202,548,603.03	71.57%	307,333,600.84	13.95%	1,895,215,002.19
Factoring receivables	317,857,376.69	12.85%	53,100,947.67	16.71%	264,756,429.02	755,528,269.73	24.55%	127,607,013.70	16.89%	627,921,256.03
Total	2,474,160,456.58	100.00%	489,228,790.76	19.77%	1,984,931,665.82	3,077,362,193.84	100.00%	552,278,882.81	17.95%	2,525,083,311.03

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

3. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Items assessed collectively for impairment: Due from related party customers

Unit: RMB

Name	Book balance	Closing balance Provision for bad debts	ECL rate
Within 1 year	2,000,017.96	87,306.27	4.37%
Total	2,000,017.96	87,306.27	4.37%

Items assessed collectively for impairment: Receivables from non-related party customers

Unit: RMB

Name	Book balance	Closing balance Provision for bad debts	ECL rate
Within 1 year	1,660,479,726.06	21,400,551.31	1.29%
1-2 years	48,566,847.64	12,188,852.33	25.10%
2-3 years	54,156,967.00	21,851,050.46	40.35%
Over 3 years	52,155,877.97	41,656,439.46	79.87%
Total	1,815,359,418.67	97,096,893.56	5.35%

Items assessed collectively for impairment: Factoring receivables

Unit: RMB

Name	Book balance	Closing balance Provision for bad debts	ECL rate
Within 1 year	25,548,333.33	2,554,833.33	10.00%
1-2 years	267,626,380.93	45,496,484.76	17.00%
2-3 years	24,682,662.43	5,049,629.58	20.46%
Total	317,857,376.69	53,100,947.67	16.71%

VII. Notes to items of the consolidated financial statements (Cont'd)

3. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs, please disclose the information about bad debt provision with reference to the way of disclosure of other receivables:

☒ Applicable ☐ Not applicable

Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	1,822,584,474.74	2,440,760,038.21
1 to 2 years	379,812,071.80	397,312,284.08
2 to 3 years	87,426,356.99	70,484,233.21
Over 3 years	184,337,553.05	168,805,638.34
Total	2,474,160,456.58	3,077,362,193.84

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Written off	Others	
Provision for bad debt	552,278,882.81	237,262,669.97	300,285,138.80	27,623.22		489,228,790.76
Total	552,278,882.81	237,262,669.97	300,285,138.80	27,623.22		489,228,790.76

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

3. Accounts receivable (Cont'd)

(3) Top five accounts receivable based on closing balance of debtors

Unit: RMB

Name of entity	Closing balance of the accounts receivable	Percentage to closing balance of the total accounts receivable	Closing balance of bad debt provision
Customer 1	148,138,960.00	5.99%	14,813,896.00
Customer 2	119,885,303.24	4.84%	846,868.40
Customer 3	107,218,333.33	4.33%	21,443,666.67
Customer 4	100,887,437.12	4.08%	712,667.69
Customer 5	55,101,035.00	2.23%	389,233.07
Total	531,231,068.69	21.47%	38,206,331.83

4. Accounts receivable financing

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	488,385,666.76	442,915,861.70
Total	488,385,666.76	442,915,861.70

Changes (increase or decrease) during the period and change in fair value of accounts receivable financing

☐ Applicable ☒ Not applicable

If the provision for impairment of accounts receivable financing is made in accordance with the general model of ECLs, please disclose the information about provision for impairment with reference to the way of disclosure of other receivables:

☐ Applicable ☒ Not applicable

VII. Notes to items of the consolidated financial statements (Cont'd)

5. Prepayments

(1) Disclosure of prepayments stated according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	871,877,663.55	90.42%	528,554,005.66	87.57%
1-2 years	92,412,848.81	9.58%	75,019,543.42	12.43%
Total	964,290,512.36	100%	603,573,549.08	100%

(2) Top five prepayments according to closing balance of prepaid parties

Top five prepayments according to closing balance of prepaid parties for the period amounted to RMB470,067,160.71, which accounted for 48.75% of the closing balance of the total accounts payable.

Name of entity	Closing balance of the prepayments	Percentage of the closing balance of the total prepayments
Customer 1	123,727,868.43	12.83%
Customer 2	113,846,592.74	11.81%
Customer 3	99,901,540.92	10.36%
Customer 4	70,400,984.10	7.30%
Customer 5	62,190,174.52	6.45%
Total	470,067,160.71	48.75%

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividend receivables		13,000,000.00
Other receivables	2,417,240,559.46	2,203,654,598.66
Total	2,417,240,559.46	2,216,654,598.66

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Weifang Xingxing United Chemical Co., Ltd.		13,000,000.00
Total		13,000,000.00

(2) Other receivables

1) Other payables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	2,675,531,581.63	2,502,722,227.16
Guarantee deposit	11,732,998.24	29,529,247.78
Advances		19,351,237.29
Insurance premium	636,635.53	21,618.27
Reserve and borrowings	43,437,509.57	20,877,056.54
Others	229,207,636.15	126,503,088.52
Total	2,960,546,361.12	2,699,004,475.56

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

6. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision

Unit: RMB

Closing bad debt provision at phase 1:

Category	Book balance	Expected credit loss rate (%) for the next 12 months	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed individually					
Interests receivable					
Dividends receivable					
Bad debt provision assessed collectively	837,977,005.60	16.78%	140,645,700.07	697,331,305.53	
Amount due from government agencies	19,397,119.49	87.75%	17,021,162.41	2,375,957.08	
Amount due from related parties	84,783,327.98	22.54%	19,108,203.65	65,675,124.33	
Other receivables	733,796,558.13	14.24%	104,516,334.01	629,280,224.12	
Total	837,977,005.60	16.78%	140,645,700.07	697,331,305.53	

As at the end of the period, the Company did not have interest receivables, dividends receivables and other receivables in phase 2.

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

Category	Book balance	Expected credit loss rate (%) over the entire life	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed individually	2,122,569,355.52	18.97%	402,660,101.59	1,719,909,253.93	
Total	2,122,569,355.52	18.97%	402,660,101.59	1,719,909,253.93	

Changes in carrying book balances with significant changes in loss provision for the year

☐ Applicable ☒ Not applicable

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

6. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision (Cont'd)

Disclosed by ageing

Unit: RMB

Ageing	Closing balance	Open balance
Within 1 year (including 1 year)	1,356,457,308.62	1,601,285,972.69
1-2 years	813,310,977.70	920,980,164.23
2-3 years	634,042,365.77	82,752,788.66
Over 3 years	156,735,709.03	93,985,549.98
Total	2,960,546,361.12	2,699,004,475.56

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

Provision of bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Written off	Others	
Bad debt provision	495,349,876.90	297,534,832.25	249,578,907.49			543,305,801.66
Total	495,349,876.90	297,534,832.25	249,578,907.49			543,305,801.66

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

6. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

4) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the year was RMB2,404,457,100.41, which accounted for 81.22% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB288,609,478.55.

Unit: RMB

Name of entity	Closing balance	Percentage to closing balance of other receivables	Closing balance of bad debt provision
Customer 1	690,000,000.00	23.31%	69,000,000.00
Customer 2	542,000,000.00	18.31%	54,200,000.00
Customer 3	480,000,000.00	16.21%	48,823,536.82
Customer 4	473,402,316.85	15.99%	94,680,463.37
Customer 5	219,054,783.56	7.40%	21,905,478.36
Total	2,404,457,100.41	81.22%	288,609,478.55

7. Inventories

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

No

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance Impairment provision for inventories or performance costs	Carrying amount	Book balance	Opening balance Impairment provision for inventories or performance costs	Carrying amount
Raw materials	1,712,610,505.63	20,535,018.69	1,692,075,486.94	1,972,197,240.93	21,269,429.01	1,950,927,811.92
Work-in-process products	128,761,554.31		128,761,554.31	81,382,693.49		81,382,693.49
Goods in stock	1,464,455,062.79		1,464,455,062.79	886,102,819.24		886,102,819.24
Consumable biological assets	1,535,386,865.44		1,535,386,865.44	1,541,004,633.42		1,541,004,633.42
Developing products	314,614,378.34		314,614,378.34	315,012,152.74		315,012,152.74
Total	5,155,828,366.51	20,535,018.69	5,135,293,347.82	4,795,699,539.82	21,269,429.01	4,774,430,110.81

VII. Notes to items of the consolidated financial statements (Cont'd)

7. Inventories (Cont'd)

(2) Impairment provision for inventories or performance costs

Unit: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	21,269,429.01			734,410.32		20,535,018.69
Total	21,269,429.01			734,410.32		20,535,018.69

Item	Basis for recognition of net realisable value/ residual consideration with future cost	Reversal or transfer during the period Reason for impairment provision for inventories/ performance costs
Raw materials	Full amount impairment of spare parts with long-term storage ageing	Reversal of impairment provision for inventories for sale of impaired spare parts during the period

(3) Changes in consumable biological assets

Unit: RMB

Item	Opening balance	Increase during the period Increase in breeding	Decrease during the period		Closing balance
			Decrease in fair value	Decrease in sales	
Consumable biological assets measured at fair value	1,541,004,633.42	66,312,515.15	13,329,852.55	58,600,430.58	1,535,386,865.44
Total	1,541,004,633.42	66,312,515.15	13,329,852.55	58,600,430.58	1,535,386,865.44

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	4,222,744,207.34	6,974,539,613.30
Total	4,222,744,207.34	6,974,539,613.30

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Input tax amount to be deducted	1,041,552,455.22	1,431,298,632.04
Prepaid tax	53,146,519.47	56,778,563.04
Receivables under financial lease due within one year	601,364,577.40	5,229,125,471.51
Factoring receivables due within one year	596,856,928.35	1,008,707,988.47
Prepaid expenses	329,739,882.81	366,080,343.71
Other payments	94,258,332.60	
Others		16,716,395.93
Total	2,716,918,695.85	8,108,707,394.70

10. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount	
Finance lease payments	9,963,461,389.49	1,103,339,754.72	8,860,121,634.77	8,144,589,680.94	182,532,601.30	7,962,057,079.64	4%-12%
Less: Unrealised financing income	351,498,895.63		351,498,895.63	462,276,887.88		462,276,887.88	
Less: long-term receivables due within one year	4,624,874,317.67	585,446,099.51	4,039,428,218.16	7,004,375,494.85	159,382,707.55	6,844,992,787.30	
Subtotal	4,987,088,176.19	517,893,655.21	4,469,194,520.98	677,937,298.21	23,149,893.75	654,787,404.46	
Deposit for finance lease	412,239,088.74		412,239,088.74	734,530,650.26		734,530,650.26	
Less: Unrealised financing income	39,232,762.59		39,232,762.59	59,195,417.77		59,195,417.77	
Less: non-current assets due within one year	183,315,989.18		183,315,989.18	129,546,826.00		129,546,826.00	
Subtotal	189,690,336.97		189,690,336.97	545,788,406.49		545,788,406.49	
Total	5,176,778,513.16	517,893,655.21	4,658,884,857.95	1,223,725,704.70	23,149,893.75	1,200,575,810.95	-

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

10. Long-term receivables (Cont'd)

(1) Particulars of long-term receivables (Cont'd)

Particulars of bad debt provision

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Bad debts provision	Expected credit loss rate (%)	Carrying amount	Amount	Percentage	Bad debts provision	Expected credit loss rate (%)	Carrying amount
Accounts receivable assessed individually for impairment	4,839,015,749.92	93.48%	516,412,930.95	10.67%	4,322,602,818.97	174,135,402.70	14.23%	20,025,571.31	11.50%	154,109,831.39
Of which:										
Financial leasing	4,839,015,749.92	93.48%	516,412,930.95	10.67%	4,322,602,818.97	174,135,402.70	14.23%	20,025,571.31	11.50%	154,109,831.39
Accounts receivable assessed collectively for impairment	337,762,763.24	6.52%	1,480,724.26	0.44%	336,282,038.98	1,049,590,302.00	85.77%	3,124,322.44	0.30%	1,046,465,979.56
Of which:										
Receivables not past due	148,072,426.27	2.86%	1,480,724.26	1.00%	146,591,702.01	503,801,895.51	41.17%	3,124,322.44	0.62%	500,677,573.07
Overdue receivables										
Deposits receivable	189,690,336.97	3.66%			189,690,336.97	545,788,406.49	44.60%			545,788,406.49
Total	5,176,778,513.16	100%	517,893,655.21	10.00%	4,658,884,857.95	1,223,725,704.70	100%	23,149,893.75	1.89%	1,200,575,810.95

Accounts receivable assessed collectively for impairment:

Collectively assessed item: receivables from unrelated party customers

	Book balance	Closing balance	Expected credit loss rate (%)
		Bad debt provision	
Within 1 year			
1 – 2 years	52,304,926.34	523,049.26	1.00%
2 – 3 years	95,767,499.93	957,675.00	1.00%
Total	148,072,426.27	1,480,724.26	1.00%

VII. Notes to items of the consolidated financial statements (Cont'd)

10. Long-term receivables (Cont'd)

(1) Particulars of long-term receivables (Cont'd)

Collectively assessed item: Deposits receivable

	Book balance	Closing balance Bad debt provision	Expected credit loss rate (%)
Within 1 year	35,500,000.00		
1 to 2 years	19,073,080.05		
2 to 3 years	100,917,256.92		
Over 3 years	34,200,000.00		
Total	189,690,336.97		

Changes in carrying book balances with significant changes in loss provision for the year

☐ Applicable ☒ Not applicable

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

The bad debt provision for the period amounted to RMB494,743,761.46.

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

11. Long-term equity investments

Unit: RMB

Investee	Opening balance (carrying amount)	Additional contribution	Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance (carrying amount)	Closing balance of impairment provision
I. Joint venture											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	3,789,667.61			2,356,074.42			1,200,000.00			4,945,742.03	
Weifang Sime Darby West Port Co., Ltd.	89,726,671.76			-7,783,164.84						81,943,506.92	
Shouguang Meite Environmental Technology Co., Ltd.	5,880,000.00	11,916,800.00		-709,607.56						17,087,192.44	
Weifang Chenrong New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited Partnership)	158,000,000.00	42,000,000.00		-294,363.72						199,705,636.28	
Weifang Xingxing United Chemical Co., Ltd.	93,816,557.39			-1,942,172.27						91,874,385.12	
Subtotal	351,212,896.76	53,916,800.00		-8,373,233.97			1,200,000.00			395,556,462.79	
II. Associates											
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	0.00										
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,412,989.91			-11,330.29						52,401,659.62	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	199,528,847.52			-978,921.25						198,549,926.27	
Jiangxi Chenming Port Co., Ltd.	1,690,359.66			-379,774.01						1,310,585.65	
Chenming (Qingdao) Asset Management Co., Ltd.	8,669,491.17			5,060.01						8,674,551.18	
Goldtrust Futures Co., Ltd.	192,732,957.71			-3,366,026.12						189,366,931.59	
Guangdong Nanyue Bank Co., Ltd.	2,800,091,481.01			285,126,660.17		-12,359,143.50	12,560,712.33			3,060,298,285.35	
Subtotal	3,255,126,126.98			280,395,668.51		-12,359,143.50	12,560,712.33			3,510,601,939.66	
Total	3,606,339,023.74	53,916,800.00		272,022,434.54		-12,359,143.50	13,760,712.33			3,906,158,402.45	

12. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Investment in debt instruments	4,000,000.00	
Investment in equity instruments	141,910,000.00	147,445,653.55
Total	145,910,000.00	147,445,653.55

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

13. Investment property

(1) Investment property under the cost method

√ Applicable □ Not applicable

Unit: RMB

Item	Housing and building structure	Land use rights	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	5,433,710,034.39			5,433,710,034.39
2. Increase during the period	1,014,473,350.39			1,014,473,350.39
(1)Purchase	10,709,541.67			10,709,541.67
(2)Transferred from inventories\fixed assets\construction in progress	286,758,670.97			286,758,670.97
(3)Additions arising from business combinations	717,005,137.75			717,005,137.75
3. Decrease during the period	1,961,190.00			1,961,190.00
(1)Disposal	1,961,190.00			1,961,190.00
(2)Other transfer				
4. Closing balance	6,446,222,194.78			6,446,222,194.78
II. Accumulated depreciation and accumulated amortisation				
1. Opening balance	351,347,741.28			351,347,741.28
2. Increase during the period	152,198,763.17			152,198,763.17
(1)Provision or amortisation	150,933,704.07			150,933,704.07
(2)Additions arising from business combinations	1,265,059.10			1,265,059.10
3. Decrease during the period	483,877.67			483,877.67
(1)Disposal	483,877.67			483,877.67
(2)Other transfer				
4. Closing balance	503,062,626.78			503,062,626.78
III. Provision for impairment				
1. Opening balance				
2. Decrease during the period				
(1)Provision				
3. Decrease during the period				
(1)Disposal				
(2)Other transfer				
4. Closing balance				
IV. Carrying amount				
1. Closing carrying amount	5,943,159,568.00			5,943,159,568.00
2. Opening carrying amount	5,082,362,293.11			5,082,362,293.11

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

14. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	37,651,706,658.97	34,439,935,032.69
Total	37,651,706,658.97	34,439,935,032.69

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Vehicles	Electronic equipment and others	Total
I. Original carrying amount:					
1. Opening balance	9,941,580,880.78	39,482,080,460.52	351,029,607.21	398,368,057.18	50,173,059,005.69
2. Increase during the period	1,159,957,423.18	4,626,304,659.86	4,810,188.60	59,287,107.33	5,850,359,378.97
(1) Acquisition	89,321,894.44	36,225,041.18	3,469,077.34	50,844,608.77	179,860,621.73
(2) Transferred from construction in progress	1,024,945,310.08	4,522,259,167.24		793,318.17	5,547,997,795.49
(3) Additions arising from business combinations	45,690,218.66	67,820,451.44	1,341,111.26	7,649,180.39	122,500,961.75
3. Decrease during the period	460,878,257.31	15,966,928.92	47,223,131.15	1,194,063.10	525,262,380.48
(1) Disposal or retirement	174,119,586.34	15,966,928.92	47,223,131.15	1,194,063.10	238,503,709.51
(2) Transfer to investment property	286,758,670.97				286,758,670.97
4. Closing balance	10,640,660,046.65	44,092,418,191.46	308,616,664.66	456,461,101.41	55,498,156,004.18
II. Accumulated depreciation					
1. Opening balance	1,796,330,000.77	13,297,091,535.53	188,896,834.23	257,770,900.14	15,540,089,270.67
2. Increase during the period	287,122,672.66	1,840,044,300.88	24,266,346.27	19,855,731.97	2,171,289,051.78
(1) Provision	273,654,601.31	1,796,694,649.00	23,311,255.85	15,686,743.12	2,109,347,249.28
(2) Additions arising from business combinations	13,468,071.35	43,349,651.88	955,090.42	4,168,988.85	61,941,802.50
3. Decrease during the period	27,629,344.79	11,245,005.10	31,125,130.36	863,988.17	70,863,468.42
(1) Disposal or retirement	27,629,344.79	11,245,005.10	31,125,130.36	863,988.17	70,863,468.42
4. Closing balance	2,055,823,328.64	15,125,890,831.31	182,038,050.14	276,762,643.94	17,640,514,854.03
III. Provision for impairment					
1. Opening balance	27,808,852.79	157,777,407.54	13,889.13	7,434,552.87	193,034,702.33
2. Increase during the period		13,409,318.95		681.05	13,410,000.00
(1) Provision		13,409,318.95		681.05	13,410,000.00
3. Decrease during the period		510,211.15			510,211.15
(1) Disposal or retirement		510,211.15			510,211.15
4. Closing balance	27,808,852.79	170,676,515.34	13,889.13	7,435,233.92	205,934,491.18
IV. Carrying amount					
1. Closing carrying amount	8,557,027,865.22	28,795,850,844.81	126,564,725.39	172,263,223.55	37,651,706,658.97
2. Opening carrying amount	8,117,442,027.22	26,027,211,517.45	162,118,883.85	133,162,604.17	34,439,935,032.69

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

14. Fixed assets (Cont'd)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Housing and building structure	83,342,314.23	23,592,451.29	3,103,215.82	56,646,647.12	
Machinery and equipment	1,034,606,835.60	525,012,703.51	165,810,094.18	343,784,037.91	
Transportation equipment	12,200.00	10,980.00		1,220.00	
Electronic equipment and others	1,086,525.74	975,604.67	7,868.32	103,052.75	
Total	1,119,047,875.57	549,591,739.47	168,921,178.32	400,534,957.78	

(3) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

Item	Carrying amount	Reason for not yet obtaining property right certificates
Housing and building structure (Zhanjiang Chenming Pulp & Paper Co., Ltd.)	1,111,166,398.82	Under application
Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.)	535,764,603.22	Under application
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	455,610,370.30	Under application
Housing and building structure (Jilin Chenming Paper Co., Ltd.)	390,201,069.69	Under application
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	211,164,032.89	Under application
Housing and building structure (Shandong Chenming Paper Holdings Limited)	117,902,833.18	Under application
Housing and building structure (Wuhan Chenming Hanyang Paper Holdings Co., Ltd.)	79,389,207.27	Under application
Housing and building structure (Chengdu Chenming Culture Communication Co., Ltd.)	13,289,619.14	Under application

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

15. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	171,178,595.73	5,467,321,406.80
Materials for project	8,679,346.10	8,801,522.15
Total	179,857,941.83	5,476,122,928.95

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
High-end cultural paper (Meilun)				179,056,842.38		179,056,842.38
Huanggang Chenming integrated forestry, pulp and paper project				4,601,844,646.27		4,601,844,646.27
Biomass power generation project				193,548,348.79		193,548,348.79
Membrane treatment project (Zhanjiang Chenming)				25,833,751.07		25,833,751.07
Technological modification project	59,209,256.24		59,209,256.24	67,088,127.35		67,088,127.35
Upgrading and renovation of back pressure unit of captive power plant				263,626,439.57		263,626,439.57
Fly ash cement ceramsite production project	54,246,139.19		54,246,139.19	51,767,628.00		51,767,628.00
Light calcium carbonate project (Meilun)	13,836,002.27		13,836,002.27	288,205.15		288,205.15
Others	73,575,656.20	29,688,458.17	43,887,198.03	113,792,158.63	29,524,740.41	84,267,418.22
Total	200,867,053.90	29,688,458.17	171,178,595.73	5,496,846,147.21	29,524,740.41	5,467,321,406.80

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

15. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects for the period

Unit: RMB

Project name	Budget (RMB0,000)	Opening balance	Increase during the period	Transfer to fixed asset during the period	Other deductions during the period	Closing balance	Accumulated Investment to budget	Construction in progress	Accumulated capitalised interest	Of which: capitalised interest amount during the period	Capitalisation rate of the interest amount for the period	Source of fund
Upgrading and renovation of back pressure unit of captive power plant (Shandong Chenming)	27,400.00	263,626,439.57	21,178,256.31	284,804,695.88		0.00	96.95%	100.00	2,652,039.64	1,830,034.68	5.35%	Self-owned funds and borrowings
New cultural paper machine (Shouguang Meilun)	376,102.00	179,056,842.38	72,431,388.46	251,488,230.84		0.00	95.37%	100.00				Self-owned funds and borrowings
Forestry-pulp-paper project (Huanggang Chenming)	500,000.00	4,601,844,646.27	121,933,422.99	4,723,778,069.26		0.00	94.80%	100.00	241,118,047.00	17,272,974.15	5.94%	Self-owned funds and borrowings
Biomass power generation project (Huanggang Chenming)	20,000.00	193,548,348.79	4,419,515.45	197,967,864.24		0.00	98.98%	100.00				Self-owned funds and borrowings
Total	923,502.00	5,238,078,277.01	213,962,583.21	5,458,038,869.22			-	-	243,770,086.64	19,103,008.81	11.29%	-

(3) Particulars of provision for construction in progress impairment

Unit: RMB

Item	Amount for the period	Reason for the provision
Differentiated viscose and spinning and chemical project	126,359.27	Project change
Huanggang Chenming northern district natural gas project	37,358.49	Project change
Total	163,717.76	-

(4) Materials for project

Unit: RMB

Item	Book balance	Closing balance Impairment provision	Carrying amount	Book balance	Opening balance Impairment provision	Carrying amount
Special materials	8,679,346.10		8,679,346.10	8,801,522.15		8,801,522.15
Total	8,679,346.10		8,679,346.10	8,801,522.15		8,801,522.15

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

16. Right-of-use assets

Unit: RMB

Item	Land use rights	Housing and building structure	Total
I. Original carrying amount			
1. Opening balance	163,334,964.90		163,334,964.90
2. Increase during the period	55,766,425.37	5,571,378.54	61,337,803.91
(1) Lease	55,766,425.37	5,571,378.54	61,337,803.91
3. Decrease during the period			
4. Closing balance	219,101,390.27	5,571,378.54	224,672,768.81
II. Accumulated depreciation			
1. Opening balance	11,193,082.85		11,193,082.85
2. Increase during the period	7,355,907.95	247,058.26	7,602,966.21
(1) Provision	7,355,907.95	247,058.26	7,602,966.21
3. Decrease during the period			
4. Closing balance	18,548,990.80	247,058.26	18,796,049.06
III. Provision for impairment			
1. Opening balance			
2. Increase during the period			
3. Decrease during the period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	200,552,399.47	5,324,320.28	205,876,719.75
2. Opening carrying amount	152,141,882.05		152,141,882.05

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

17. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patents	Unpatented technology	Software	Certificates of third party right	Total
I. Original carrying amount						
1. Opening balance	2,181,863,551.51			20,682,183.44	15,908,674.87	2,218,454,409.82
2. Increase during the period	117,065,481.72	27,358,613.05		891,779.81		145,315,874.58
(1) Acquisition	101,130,000.00			519,053.10		101,649,053.10
(2) Internal research and development						
(3) Additions arising from business combinations	15,935,481.72	27,358,613.05		372,726.71		43,666,821.48
3. Decrease during the period	107,209,008.00					107,209,008.00
(1) Disposal	107,209,008.00					107,209,008.00
4. Closing balance	2,191,720,025.23	27,358,613.05		21,573,963.25	15,908,674.87	2,256,561,276.40
II. Accumulated amortisation						
1. Opening balance	411,294,258.75			19,091,821.06	7,006,425.50	437,392,505.31
2. Increase during the period	46,526,592.72	911,953.77		1,470,131.84	5,298,404.52	54,207,082.85
(1) Provision	43,072,342.03			1,320,348.90	5,298,404.52	49,691,095.45
(2) Business combinations	3,454,250.69	911,953.77		149,782.94		4,515,987.40
3. Decrease during the period	9,662,821.09					9,662,821.09
(1) Disposal	9,662,821.09					9,662,821.09
4. Closing balance	448,158,030.38	911,953.77		20,561,952.90	12,304,830.02	481,936,767.07
III. Impairment provision						
1. Opening balance						
2. Increase during the period						
(1) Provision						
3. Decrease during the period						
(1) Disposal						
4. Closing balance						
IV. Carrying amount						
1. Closing carrying amount	1,743,561,994.85	26,446,659.28		1,012,010.35	3,603,844.85	1,774,624,509.33
2. Opening carrying amount	1,770,569,292.76			1,590,362.38	8,902,249.37	1,781,061,904.51

Explanation:

(1) For details of restricted ownership, please refer to note VII. 63.

(2) Certificates of third party right refer to enterprise emission rights, with the expiry date ranging between 14 September 2018 and 13 September 2021.

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

18. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period Arising from business combinations	Decrease during the period Disposal	Closing balance
Shandong Chenming Panels Co., Ltd.	5,969,626.57			5,969,626.57
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Kunshan Tuoan Plastic Products Co., Ltd.		26,946,905.38		26,946,905.38
Total	20,283,787.17	26,946,905.38		47,230,692.55

(2) Provision for impairment of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period Provision	Decrease during the period Disposal	Closing balance
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Total	14,314,160.60			14,314,160.60

Explanation: The Company assessed the recoverable amount of goodwill and determined that the goodwill related to the Company's panel and plastic business was not impaired. With the category of the principal activities as the basis for determining the reporting segments, the Company regards Shandong Chenming Panels Co., Ltd. and Kunshan Tuoan Plastic Products Co., Ltd. as two separate asset groups. Their recoverable amount is determined based on the present value of the estimated future cash flows. Future cash flows are determined based on the financial budget for 2021 to 2025 as approved by the management, and adopt 7.28% as the discount rate which is the interest rate of the 5-year bonds issued by the Company in 2018. The cash flows for more than 5 years are calculated based on the growth rate of 5%. Other key assumptions used in estimating future cash flows include the estimated sales and gross profit based on the performance of such asset group in the past and the expectation to market development by the management. The management believes that any reasonable change in the above assumptions will not result in the total book value of the asset group Shandong Chenming Panels Co., Ltd. and the asset group Kunshan Tuoan Plastic Products Co., Ltd. exceeding its recoverable amount.

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

19. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase during the period	Amortisation during the period	Other deductions	Closing balance
Woodland expenses	9,642,224.60		605,796.00		9,036,428.60
Others	38,561,184.11	5,774,110.26	2,310,237.48		42,025,056.89
Total	48,203,408.71	5,774,110.26	2,916,033.48		51,061,485.49

20. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	2,210,402,262.82	509,732,949.61	1,791,356,735.71	417,688,820.31
Unrealised profit arising from intra-group transactions	205,628,008.40	51,407,002.10	164,089,227.26	41,022,306.82
Deductible loss	2,445,427,000.05	400,915,339.22	2,243,481,924.83	344,125,106.67
Outstanding payables	538,679,932.17	88,774,034.53	446,580,396.87	68,163,018.91
Deferred income	127,445,713.46	21,358,762.71	116,165,951.14	21,443,378.33
Debt reconstructing	47,906,363.94	11,976,590.97		
Total	5,575,489,280.84	1,084,164,679.14	4,761,674,235.81	892,442,631.04

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset valuation increment from business combinations involving entities not under common control	43,816,906.47	6,572,535.97		
Debt reconstructing			5,644,502.36	1,411,125.59
Total	43,816,906.47	6,572,535.97	5,644,502.36	1,411,125.59

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

20. Deferred income tax assets/deferred income tax liabilities (Cont'd)

(3) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	59,564,220.72	352,057,221.14
Deductible loss	776,900,858.71	521,737,724.53
Total	836,465,079.43	873,794,945.67

(4) Expiry of deductible loss of unrecognised deferred income tax assets falls in the periods as follows

Unit: RMB

Year	Closing amount	Opening amount	Remark
2020		674,989.71	
2021	66,234,527.65	185,647.61	
2022	187,801,057.21	11,628,813.14	
2023	138,151,854.93	164,859,774.53	
2024	108,619,258.72	344,388,499.54	
2025	276,094,160.20		
Total	776,900,858.71	521,737,724.53	—

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

21. Other non-current assets

Unit: RMB

Item	Book balance	Closing balance Impairment provision	Carrying amount	Book balance	Opening balance Impairment provision	Carrying amount
Prepayments for land transfer fees				101,130,000.00		101,130,000.00
Prepayments for engineering and equipment	58,886,418.75		58,886,418.75	62,945,826.67		62,945,826.67
Prepayments for properties				9,800,000.00		9,800,000.00
Total	58,886,418.75		58,886,418.75	173,875,826.67		173,875,826.67

22. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Mortgage borrowings	279,524,407.05	859,312,833.51
Pledged borrowings	35,075,833.33	180,000,000.00
Guaranteed borrowings	7,536,960,272.39	7,082,088,423.98
Credit borrowings	8,189,875,845.09	7,174,060,275.17
Discounted borrowings	16,752,556,600.00	21,587,694,481.53
Total	32,793,992,957.86	36,883,156,014.19

Explanation of the classification of short-term borrowings:

- ① For classification and amount of mortgage borrowing and mortgage borrowing, please see 1. Monetary funds and 63. Assets with restricted ownerships or right to use in Note VII;
- ② For classification and amount of pledged borrowing and mortgage borrowing, please see notes in relation, please see 1. Monetary funds and 63. Assets with restricted ownerships or right to use in Note VII;
- ③ Overdue short-term borrowings: total outstanding accounts payable as at the end of the year amounted to RMB0.00.

VII. Notes to items of the consolidated financial statements (Cont'd)

23. Bills payable

Unit: RMB

Item	Closing balance	Opening balance
Commercial acceptance bills	984,661,462.19	625,325,798.18
Bank acceptance bills	2,014,275,274.15	889,722,407.82
Total	2,998,936,736.34	1,515,048,206.00

Total outstanding bills payable as at the end of the period amounted to RMB0.00.

24. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Loans	3,416,069,031.99	3,393,786,063.51
Payment for engineering	139,679,646.76	408,694,349.00
Payment for equipment	260,995,383.02	312,292,221.48
Others	225,686,670.54	236,314,947.99
Total	4,042,430,732.31	4,351,087,581.98

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
BEIJING GUODIAN FUTONG SCIENCE AND DEVELOPMENT CO., LTD.	46,122,225.40	Quality guarantee deposit
OMYA HAIMING (NANCHANG) CHEMICAL CO. LTD.	16,000,000.00	Quality guarantee deposit
CHINA ENERGY ENGINEERING GROUP GUANGZHOU ELECTRIC POWER DESIGN INSTITUTE CO., LTD.	14,128,415.00	Quality guarantee deposit
ZHEJIANG JNDIA PIPELINE INDUSTRY CO., LTD.	10,556,896.91	Quality guarantee deposit
GUANGXI CONSTRUCTION ENGINEERING GROUP NO.1 INSTALLATION CO.,LTD.	10,551,074.40	Quality guarantee deposit
Total	97,358,611.71	--

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

25. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advance loans	1,051,147,044.74	968,082,063.13
Total	1,051,147,044.74	968,082,063.13

26. Staff remuneration payables

(1) Particulars of staff remuneration payables

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term remuneration	189,006,380.72	1,296,897,761.88	1,254,154,559.51	231,749,583.09
II. Retirement benefit plan-defined contribution scheme	1,223,502.80	166,575,509.35	167,172,009.93	627,002.22
III. Termination benefits		648,217.62	648,217.62	
Total	190,229,883.52	1,464,121,488.85	1,421,974,787.06	232,376,585.31

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	120,634,999.88	1,044,444,322.93	994,436,561.07	170,642,761.74
2. Staff welfare		49,985,551.24	49,985,551.24	
3. Social insurance premium	1,871,932.30	81,044,996.18	82,331,320.75	585,607.73
Of which: Medical insurance premium	840,248.82	74,898,536.86	75,163,371.97	575,413.71
Work-related injury insurance premium	23,069.88	3,288,764.35	3,308,295.63	3,538.60
Maternity insurance premium	1,008,613.60	2,857,694.97	3,859,653.15	6,655.42
4. Housing provident funds	8,856,543.62	95,606,990.68	96,464,622.92	7,998,911.38
5. Union funds and workers' education	35,831,023.93	25,395,902.46	30,452,086.91	30,774,839.48
6. Other short-term remuneration	21,811,880.99	419,998.39	484,416.62	21,747,462.76
Total	189,006,380.72	1,296,897,761.88	1,254,154,559.51	231,749,583.09

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

26. Staff remuneration payables (Cont'd)

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Basic pension insurance premiums	1,033,762.42	160,480,797.91	160,954,876.73	559,683.60
Unemployment insurance premiums	189,740.38	6,094,711.44	6,217,133.20	67,318.62
Total	1,223,502.80	166,575,509.35	167,172,009.93	627,002.22

27. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	294,438,467.26	81,745,671.90
Enterprise income tax	274,637,537.42	166,389,232.03
Individual income tax	41,648,852.90	29,565,363.87
Urban maintenance and construction tax	10,137,043.67	5,844,684.79
Land use tax	7,522,959.20	8,206,677.02
Property tax	9,232,558.17	8,239,300.78
Educational surcharges and others	8,112,168.27	6,850,900.34
Land appreciation tax	2,024,028.20	
Environmental Protection Tax	2,263,933.52	
Resource tax	255.00	
Stamp duty	2,630,037.02	4,712,286.00
Total	652,647,840.63	311,554,116.73

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	178,992,959.85	208,189,699.15
Other payables	1,777,722,407.98	2,386,059,927.39
Total	1,956,715,367.83	2,594,249,626.54

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on Corporate Bonds	17,401,472.25	103,432,934.98
Interest on borrowings	81,495,654.29	27,960,930.86
Interest on medium-term notes	80,095,833.31	76,795,833.31
Total	178,992,959.85	208,189,699.15

(2) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	625,546,672.65	1,287,822,732.06
Deposit	259,341,777.01	451,756,402.26
Accrued expenses	525,268,287.87	506,095,837.14
The obligation to repurchase shares under the share incentive scheme	226,860,000.00	
Others	140,705,670.45	140,384,955.93
Total	1,777,722,407.98	2,386,059,927.39

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

28. Other payables (Cont'd)

(2) Other payables (Cont'd)

2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
NINE DRAGONS DAWEI HOLDINGS CO., LTD.	30,000,000.00	Deposit
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Open credit
WUHAN TIANRUI PAPER CO., LTD.	7,341,708.00	Deposit
SHOUGUANG LONGYUAN PAPER COATING CO., LTD.	4,500,000.00	Deposit
NANJING BAIJU RENEWABLE RESOURCES CO., LTD.	4,020,000.00	Deposit
Total	57,004,704.17	—

29. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	2,935,835,697.30	2,520,582,051.43
Bonds payable due within one year		899,122,500.00
Long-term payables due within one year	1,621,095,530.96	2,238,647,651.02
Lease liabilities due within one year	4,606,717.58	4,606,717.58
Other non-current liabilities due within one year	2,599,411,670.09	
Total	7,160,949,615.93	5,662,958,920.03

30. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	157,037,833.35	222,402,500.00
Total	157,037,833.35	222,402,500.00

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

30. Other current liabilities (Cont'd)

Increase/decrease in short-term bonds payable:

Unit: RMB

Name of commercial paper	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Closing balance
2019 fourth tranche of super & short-term commercial paper	300,000,000.00	2019-4-30	270 days	299,550,000.00	52,915,000.00				52,915,000.00	
2019 fifth tranche of super & short-term commercial paper	300,000,000.00	2019-5-24	270 days	299,550,000.00	11,605,000.00		1,627,500.00	50,000.00	13,282,500.00	
2019 sixth tranche of super & short-term commercial paper	300,000,000.00	2019-7-31	270 days	299,550,000.00	157,882,500.00		4,777,500.00	150,000.00	162,810,000.00	
2020 first tranche of super & short-term commercial paper	300,000,000.00	2020-4-22	270 days	299,550,000.00		299,550,000.00	12,130,833.35	450,000.00	155,093,000.00	157,037,833.35
Total	1,200,000,000.00	—	—	1,198,200,000.00	222,402,500.00	299,550,000.00	18,535,833.35	650,000.00	384,100,500.00	157,037,833.35

31. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledge borrowings		74,823,068.83
Secured borrowings	4,618,249,057.65	5,110,291,847.19
Guarantee borrowings	4,319,737,618.80	5,695,114,793.03
Credit borrowings	2,075,000,000.00	780,692,035.94
Less: long-term borrowings due within 1 year	2,935,835,697.30	2,520,582,051.43
Total	8,077,150,979.15	9,140,339,693.56

Explanation of the classification of long-term borrowings:

For classification and amount of mortgage borrowing and mortgage borrowing, please see 1. Monetary funds and 63. Assets with restricted ownerships or right to use in Note VII.

For classification and amount of pledged borrowing and mortgage borrowing, please see notes in relation, please see 1. Monetary funds and 63. Assets with restricted ownerships or right to use in Note VII.

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

32. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming Bond 01- Chenming Group	89,957,250.00	89,070,000.00
18 Chenming Bond 01- Chenming Group	350,000,000.00	
Chenming USD Bonds	1,096,920,101.46	1,169,200,909.49
Total	1,536,877,351.46	1,258,270,909.49

(2) Increase/decrease in bonds payable (excluding other financial instruments such as Preference Shares and Perpetual Bonds classified as financial liabilities)

Unit: RMB

Bond name	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/ discount	Redemption during the period	Changes in foreign exchange gains and losses	Closing balance
17 Chenming Bond 01-Chenming Group	1,200,000,000.00	2017/8/22	5年	1,198,200,000.00	89,070,000.00		6,552,000.00	887,250.00	6,552,000.00		89,957,250.00
18 Chenming Bond 01- Chenming Group	350,000,000.00	2018/4/2	5年	350,000,000.00	899,122,500.00	350,000,000.00	25,480,000.00		924,602,500.00		350,000,000.00
Chenming USD Bonds	1,137,120,600.00	2019/8/6	2.6年	1,125,276,863.46	1,169,200,909.49		104,934,612.24	3,588,560.35	104,934,612.24	-75,869,368.38	1,096,920,101.46
Total	2,687,120,600.00	-	-	2,673,476,863.46	2,157,393,409.49	350,000,000.00	136,966,612.24	4,475,810.35	1,036,089,112.24	-75,869,368.38	1,536,877,351.46
Less: payable due within one year					899,122,500.00						
Total	2,687,120,600.00				1,258,270,909.49	350,000,000.00	136,966,612.24	4,475,810.35	1,036,089,112.24	-75,869,368.38	1,536,877,351.46

33. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease payments payable	85,933,149.45	90,539,867.03
Less: Unrecognised financing expenses	21,054,661.97	26,236,020.80
Less: Lease liabilities due within one year	4,606,717.58	4,606,717.58
Total	60,271,769.90	59,697,128.65

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

34. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	2,295,309,357.74	3,321,535,538.94
Total	2,295,309,357.74	3,321,535,538.94

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	64,196,192.92	160,190,103.51
China Development Bank Special funds	517,500,000.00	595,000,000.00
Contributions by other partners	34,210,000.00	
Financial leasing	3,300,498,695.78	4,804,993,086.45
Subtotal	3,916,404,888.70	5,560,183,189.96
Less: Long-term payables due within 1 year	1,621,095,530.96	2,238,647,651.02
Total	2,295,309,357.74	3,321,535,538.94

Other explanations:

Contributions by other partners refer to the contributions made by other partners to the Company's special structured entity, namely Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership), and such contributions are reclassified as financial liabilities on a consolidation basis.

35. Provisions

Unit: RMB

Item	Closing balance	Opening balance	Reason
Pending litigation	325,259,082.28	325,259,082.28	Losses from Arjo's lawsuit
Total	325,259,082.28	325,259,082.28	—

Other explanations, including the explanations on significant assumptions and estimation related to significant provision:

In February 2017, Arjowiggins HKK2 Limited ("HKK2 Company") submitted a H share winding-up petition to Hong Kong High Court due to a joint venture dispute, which required a compensation for economic loss of RMB167 million and interest thereon, and legal costs of USD3.54 million and arbitration fee of HK\$3.3 million and interest thereon to HKK2. The Company made provision of RMB320 million for such pending litigation in 2017. On 5 August 2020, Hong Kong High Court rejected the Group's appeal. The Group is seeking ways of appeal again to safeguard the lawful rights and interests of the Company and the investor community.

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

36. Deferred income

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	1,771,013,335.11	27,420,000.00	160,436,698.60	1,637,996,636.51	Financial provision
Total	1,771,013,335.11	27,420,000.00	160,436,698.60	1,637,996,636.51	—

Items in respect of government grants:

Unit: RMB

Item	Opening balance	New grants during the period	Include in non-operating income for the period	Include in other income for the period	Amount charged against cost expenses	Other changes	Closing balance	Asset-related/ income-related
Project fund for National Key Technology Research and Development Program	1,452,525.00	0.00	0.00	164,700.00	0.00	0.00	1,287,825.00	Asset-related
Sewage treatment and water conservation transformation project	63,274,136.71	0.00	0.00	3,673,020.38	0.00	0.00	59,601,116.33	Asset-related
Huanggang forestry-pulp-paper project	681,564,072.66	0.00	0.00	28,398,506.40	0.00	0.00	653,165,566.26	Asset-related
Zhanjiang forestry-pulp-paper project	67,047,201.50	0.00	0.00	12,145,971.39	0.00	0.00	54,901,230.11	Asset-related
Industrial logistics park reconstruction compensation	51,960,000.00	0.00	0.00	0.00	0.00	51,960,000.00	0.00	Asset-related
Financial subsidies for technical transformation project	168,182,448.80	0.00	0.00	12,496,307.72	0.00	0.00	155,686,141.08	Asset-related
Funding for environmental protection	700,228,305.19	27,420,000.00	0.00	50,008,737.63	0.00	0.00	677,639,567.56	Asset-related
Others	37,304,645.25			1,589,455.08			35,715,190.17	Asset-related
Total	1,771,013,335.11	27,420,000.00	0.00	108,476,698.60	0.00	51,960,000.00	1,637,996,636.51	

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

37. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Medium-term notes	789,521,686.07	3,042,841,328.86
Total	789,521,686.07	3,042,841,328.86

38. Share capital

Unit: RMB

	Opening balance	New issue	Bonus issue	Increase/decrease during the year (+/-)			Subtotal	Closing balance
				Shares converted	Others			
Total number of shares	2,904,608,200.00	79,600,000.00	0.00	0.00	0.00		79,600,000.00	2,984,208,200.00

39. Other equity instruments

(1) Preference Shares, Perpetual Bonds and other financial instruments outstanding at the end of the period

Outstanding financial instruments	Year of issuance	Accounting classification	Dividend or interest rate	Issue price	Issue size	Amount (RMB)	Maturity date or renewal status	Condition for conversion	Conversion
17 Lu Chenming MTN001	2017	Equity instrument	6.80%	100.00	10,000,000.00	1,000,000,000.00	No defined maturity date	None	Non-convertible
Chenming You 01	2016	Equity instrument	4.36%	100.00	22,500,000.00	2,250,000,000.00	No defined maturity date	None	Non-convertible
Chenming You 02	2016	Equity instrument	5.17%	100.00	10,000,000.00	1,000,000,000.00	No defined maturity date	None	Non-convertible
Chenming You 03	2016	Equity instrument	5.17%	100.00	12,500,000.00	1,250,000,000.00	No defined maturity date	None	Non-convertible
Total						5,500,000,000.00			

VII. Notes to items of the consolidated financial statements (Cont'd)

39. Other equity instruments (Cont'd)

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

Unit: RMB

Outstanding financial instruments	Beginning of the period		Increase during the period		Decrease during the period		End of the period	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
17 Lu Chenming MTN001	10,000,000.00	996,000,000.00					10,000,000.00	996,000,000.00
17 Lu Chenming MTN002	20,000,000.00	1,992,000,000.00			20,000,000.00	1,992,000,000.00		
Chenming You 01	22,500,000.00	2,238,750,000.00					22,500,000.00	2,238,750,000.00
Chenming You 02	10,000,000.00	999,000,000.00					10,000,000.00	999,000,000.00
Chenming You 03	12,500,000.00	1,239,750,000.00					12,500,000.00	1,239,750,000.00
Total	75,000,000.00	7,465,500,000.00			20,000,000.00	1,992,000,000.00	55,000,000.00	5,473,500,000.00

Changes (increase or decrease) in other equity instruments during the period, the reasons for such changes, and the basis for relevant accounting treatment:

- ① The Company issued medium-term notes amounting to RMB3,000 million on 12 July and 28 September 2017 at a coupon rate of 6.80% and 6.30% respectively. The proceeds net of issue costs amounted to RMB2,988.00 million. On 28 September 2020, The Company exercised the option to redeem medium-term notes amounting to RMB2,000 million.

The notes are debts without a defined maturity date and will continue indefinitely until the exercise of the right of redemption by the Company. The interest rate of the bills is determined by the basic interest rate + the initial interest rate + 300BP. It has the feature of capped interest rates and the capped interest rate does not exceed the average interest rate level of the same type of instruments in the same industry in the same period; The Company has the right to defer any payment of interest. The right of redemption of the notes is vested in the Company so that it is up to the Company to decide whether to redeem or not; the priority of repayment of the principal and interest of medium-term notes for the period is the same as other outstanding debt financing instruments of the issuers in the event of winding up, because there is low probability of bankruptcy that the Company will not be liable for contractual obligations to deliver cash or other financial assets expected.

Based on the above, the notes do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they are eligible to be recognised and accounted for as equity instruments and included under other equity instruments.

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

VII. Notes to items of the consolidated financial statements (*Cont'd*)

39. Other equity instruments (*Cont'd*)

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

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

Distribution of fixed dividend

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

Participation in the distribution of retained earnings realised for the year

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

Based on the above, the Preference Shares do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they were accounted for as other equity instruments – Preference Shares.

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

40. Capital reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	4,416,363,920.09	215,164,804.37	12,426,743.15	4,619,101,981.31
Other capital reserves	670,322,507.21	32,486,925.23		702,809,432.44
Total	5,086,686,427.30	247,651,729.60	12,426,743.15	5,321,911,413.75

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

- ① the Group implemented a share incentive scheme and issued additional restricted shares to its participants with an increase of capital reserves of RMB146,264,104.00;
- ② the Group recognised the management fees during the vesting period for the share-based payments with an increase of capital reserves of RMB32,486,925.23;
- ③ the Group repaid equity-settled Perpetual Bonds with a decrease of capital reserves of RMB8,000,000.00;
- ④ a capital increase of Shouguang Meilun Paper Co., Ltd., a subsidiary of the Group, was contributed on the part of another investor, which causing a decrease in the Company's shareholding without a loss of control, and an increase of capital reserves of RMB44,819,271.77;
- ⑤ the Group acquired the non-controlling interests of a subsidiary, Wuhan Chenming Hanyang Paper Holdings Co., Ltd. with a decrease of capital reserves of RMB4,426,743.15;
- ⑥ the Group acquired the non-controlling interests of a subsidiary, Jiangxi Chenming Paper Co., Ltd. with an increase of capital reserves of RMB24,081,428.60.

41. Treasury shares

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share incentive	0.00	226,860,000.00	0.00	226,860,000.00
Total	0.00	226,860,000.00	0.00	226,860,000.00

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

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

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

42. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurring before income tax for the period	Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	During the period Less: Transferred from other comprehensive income in prior periods to retained earnings during the period	Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
I. Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods								
II. Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-879,452,135.10	317,765,527.44				317,765,527.44		-561,686,607.66
Including: Other comprehensive income that may be reclassified to profit and loss under the equity method		-12,359,143.50				-12,359,143.50		-12,359,143.50
Translation differences of financial statements denominated in foreign currency	-879,452,135.10	330,124,670.94				330,124,670.94		-549,327,464.16
Total other comprehensive income	-879,452,135.10	317,765,527.44				317,765,527.44		-561,686,607.66

43. Surplus reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserves	1,212,009,109.97			1,212,009,109.97
Total	1,212,009,109.97			1,212,009,109.97

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

44. General risk reserves

Unit: RMB

Item	Closing balance	Opening balance	Decrease during the period	Closing balance
General risk reserves	74,122,644.20			74,122,644.20
Total	74,122,644.20			74,122,644.20

45. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	9,306,269,617.38	9,107,422,690.85
Retained profit as at the beginning of the year after adjustment	9,306,269,617.38	9,107,422,690.85
Plus: Net profit for year attributable to shareholders of the parent company	1,712,029,078.52	1,656,566,584.88
Less: Transfer of statutory surplus reserves		63,120,197.86
Transfer of general risk reserves		9,998,724.97
Ordinary dividend payable	437,433,593.74	697,105,968.00
Perpetual Bonds interest payable	194,000,000.00	194,000,000.00
Preferred shares interest payable	387,101,073.42	493,494,767.52
Ordinary dividend converted into share capital		
Retained profit as at the end of the period	9,999,764,028.74	9,306,269,617.38

46. Revenue and operating costs

Unit: RMB

Item	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	30,047,258,084.97	23,046,708,818.72	29,591,962,733.76	22,182,591,005.20
Other activities	689,259,911.93	598,885,367.49	803,471,339.59	567,678,744.18
Total	30,736,517,996.90	23,645,594,186.21	30,395,434,073.35	22,750,269,749.38

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

☐ Yes ☒ No

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

46. Revenue and operating costs (Cont'd)

Information related to revenue:

Unit: RMB

Category of contract	Machine-made paper segment	Financial segment	Real estate	Others	Total
Type of goods	29,021,523,071.50	964,291,738.17	106,560,951.52	644,142,235.71	30,736,517,996.90
Including:					
Machine-made paper	26,799,197,492.54				26,799,197,492.54
Financial leasing		935,121,026.20			935,121,026.20
Electricity and steam	195,367,954.91				195,367,954.91
Construction materials				419,138,839.41	419,138,839.41
Paper chemicals	144,274,657.39				144,274,657.39
Others	1,882,682,966.66	29,170,711.97	106,560,951.52	225,003,396.30	2,243,418,026.45
By geographical area	29,021,523,071.50	964,291,738.17	106,560,951.52	644,142,235.71	30,736,517,996.90
Including:					
Domestic	25,968,365,122.36	964,291,738.17	106,560,951.52	644,142,235.71	27,683,360,047.76
Overseas	3,053,157,949.14				3,053,157,949.14
By the timing of delivery	29,021,523,071.50	999,978,255.73	70,874,433.96	644,142,235.71	30,736,517,996.90
Including:					
Goods (at a point in time)	29,011,763,488.80			641,375,975.70	29,653,139,464.50
Services (within a certain period)	9,759,582.70	999,978,255.73	70,874,433.96	2,766,260.01	1,083,378,532.40

Breakdown of revenue from principal activities

① By industry

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Machine-made paper	26,799,197,492.54	21,227,455,753.49	25,911,568,864.47	20,423,499,344.65
Financial leasing	935,121,026.20	127,620,095.42	1,815,459,714.28	119,934,602.87
Paper chemicals	144,274,657.39	124,475,985.43	126,550,115.28	112,807,283.45
Electricity and steam	195,367,954.91	130,435,496.35	143,725,243.14	114,507,240.78
Construction materials	419,138,839.41	358,729,667.72	311,264,909.38	254,581,603.21
Others	2,243,418,026.45	1,676,877,187.80	2,086,865,226.80	1,724,939,674.42
Total	30,736,517,996.90	23,645,594,186.21	30,395,434,073.35	22,750,269,749.38

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

46. Revenue and operating costs (Cont'd)

② Machine-made paper, by main product type

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
White paper board	7,900,414,595.22	5,764,493,788.34	6,908,899,578.15	6,047,977,623.29
Duplex press paper	6,880,399,009.21	5,658,261,879.44	7,728,877,039.07	6,009,833,104.71
Coated paper	4,134,523,188.76	3,253,634,912.22	3,779,487,348.44	2,875,206,350.48
Electrostatic paper	4,052,403,877.82	3,196,464,794.41	3,270,064,358.54	2,416,568,414.13
Anti-sticking raw paper	1,118,932,774.91	868,748,128.10	1,238,578,315.18	888,415,814.55
Household paper	531,378,922.70	502,581,030.04	620,993,038.46	534,388,532.97
Others	2,181,145,123.92	1,983,271,220.94	2,364,669,186.63	1,651,109,504.52
Total	26,799,197,492.54	21,227,455,753.49	25,911,568,864.47	20,423,499,344.65

③ Machine-made paper, by geographical segment

Name of industry	Amount for the year		Amount for the prior year	
	Revenue	Costs	Revenue	Costs
Mainland China	27,683,360,047.76	21,069,825,079.51	26,788,134,394.76	19,471,104,162.68
Other countries and regions	3,053,157,949.14	2,575,769,106.70	3,607,299,678.59	3,279,165,586.70
Total	30,736,517,996.90	23,645,594,186.21	30,395,434,073.35	22,750,269,749.38

④ Revenue from top 5 customers

Period	Total revenue from top 5 customers	Percentage of the total revenue in the same period (%)
2020	4,206,250,003.00	13.68%
2019	3,193,575,635.94	10.51%

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

47. Taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Urban maintenance and construction tax	52,280,034.26	68,851,026.86
Educational surcharges	22,418,855.28	30,207,914.38
Resource tax	10,367,209.74	11,038,459.80
Property tax	68,375,017.95	70,397,206.93
Land use tax	29,847,867.46	34,686,247.44
Vehicle and vessel tax	125,784.05	112,050.62
Stamp duty	31,389,172.39	26,151,364.68
Local education surcharges	9,679,449.17	18,602,695.08
Water engineering funds	2,683,161.08	2,576,414.28
Land appreciation tax	2,681,494.52	701,320.66
Others	20,680,809.50	12,608,739.08
Total	250,528,855.40	275,933,439.81

48. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages	122,235,622.89	143,945,947.37
Depreciation expenses	12,008,055.46	12,421,773.86
Office expenses	3,071,737.33	4,737,474.20
Travel expenses	18,618,459.51	31,547,133.82
Selling commissions	27,552,636.35	8,642,790.19
Rental expenses	6,714,594.29	10,481,463.36
Hospitality expenses	55,229,939.72	66,310,236.64
Warehouse expenses	1,108,765.35	7,548,664.33
Others	51,706,545.01	35,175,241.08
Total	298,246,355.91	320,810,724.85

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

49. General and administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	320,742,683.51	336,234,528.59
Welfare expenses	64,686,363.40	51,837,962.58
Depreciation expenses	153,853,014.06	146,845,808.97
Amortisation of intangible assets and long-term expenses	44,383,804.21	48,927,936.41
Production interruption loss	94,624,006.41	146,340,924.01
Repair cost and consumption of materials	23,829,844.68	49,131,088.84
Audit fees	5,668,334.66	6,131,215.01
Travel expenses	16,069,151.86	23,656,024.87
Business hospitality expenses	87,331,837.47	101,735,867.20
Waste disposal expenses	9,862,736.52	8,621,732.91
Insurance premium	29,822,263.59	27,737,182.97
Office expenses	3,759,121.11	13,277,878.29
Others	170,787,498.91	174,247,241.19
Total	1,025,420,660.39	1,134,725,391.84

50. R&D expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Installation expenses	1,885,550.14	880,370.71
Depreciation expenses	62,483,794.25	47,736,244.65
Consumption of materials	875,193,790.53	656,418,640.23
Travel expenses	25,245.51	163,071.13
Wages and surcharges	148,290,430.65	136,792,729.52
Welfare expenses	4,551,325.39	3,484,889.21
Housing provident funds	9,489,172.29	4,647,016.68
Insurance premium	20,343,290.79	12,437,428.25
Union funds	779,789.00	104,485.65
Utilities	147,453,048.82	126,993,184.82
Other expenses	3,859,804.12	2,654,895.89
Total	1,274,355,241.49	992,312,956.74

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

51. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	3,144,464,077.81	3,780,373,270.56
Less: capitalised interest amount	19,103,008.81	206,508,056.70
interest income	887,004,185.02	836,491,207.55
Foreign exchange gains and losses	-27,516,846.19	-78,262,003.10
Bank charges and others	351,225,025.43	256,917,151.16
Total	2,562,065,063.22	2,916,029,154.37

52. Other income

Unit: RMB

Source of other income	Amount for the period	Amount for the prior period
Government grants – amortised deferred income included in profit or loss	108,476,698.60	91,384,862.50
Government grants – directly included in profit or loss	255,407,429.72	470,171,768.01
Total	363,884,128.32	561,556,630.51

53. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	272,022,434.54	-2,995,932.01
Investment gain on disposal of long-term equity investments	16,778,042.01	176,212,409.13
Investment gain on disposal of other non-current financial assets		784,345.77
Gains or losses on credit assignment	-93,431,738.91	
Investment gain debt restructuring	-22,005,200.15	
Total	173,363,537.49	174,000,822.89

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

54. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Financial assets held for trading	10,126,787.86	
Other non-current financial assets	9,464,346.45	46,445,653.55
Gain on change in fair value of consumable biological assets measured at fair value	-13,329,852.55	-19,752,911.94
Total	6,261,281.76	26,692,741.61

55. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of other receivables	-47,955,924.76	-280,868,224.23
Bad debt loss of other payments	-16,633,823.40	
Bad debt loss of bills receivable	63,022,468.83	-173,401,791.27
Loss on debt restructuring impairment		-55,792,548.82
Bad debt loss of financial lease payments	-650,157,592.24	-523,805,364.41
Total	-651,724,871.57	-1,033,867,928.73

56. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
Loss on inventory impairment and impairment loss of performance costs of contracts		61,394,424.83
Loss on long-term equity investments impairment		-5,994,545.96
Loss on fixed asset impairment	-13,410,000.00	-170,552,917.47
Loss on construction in progress impairment	-163,717.76	-5,838,644.59
Total	-13,573,717.76	-120,991,683.19

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

57. Asset disposal income

Unit: RMB

Source of asset disposal income	Amount for the period	Amount for the prior period
Gain on disposal of fixed assets ("-" denotes loss)	17,450,629.19	-29,073,731.05
Gain on disposal of intangible assets ("-" denotes loss)	8,752,868.37	
Total	26,203,497.56	-29,073,731.05

58. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amount included in extraordinary gains or losses for the period
government subsidy	577,140,958.93	86,353,174.56	577,140,958.93
Non-current assets damage and scrap profits	879,060.70	1,360,844.76	879,060.70
Unpaid debt	7,086,812.20	9,170,357.94	7,086,812.20
Fine income	1,811,183.88	3,244,945.04	1,811,183.88
Adjustment in equity book value		364,597,001.77	
Others	13,547,672.44	28,667,590.80	13,547,672.44
Total	600,465,688.15	493,393,914.87	600,465,688.15

Government grants included in profit or loss for the period:

Unit: RMB

Grants item	Amount for the period	Amount for the prior period	Asset-related/ income-related
Grant income	43,750,958.93	44,810,674.56	Income-related
Relocation subsidy	533,390,000.00		Income-related
Inviting investments		41,542,500.00	Income-related
Total	577,140,958.93	86,353,174.56	

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

59. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains or losses for the period
Donation	8,922,077.88	11,947,836.00	8,922,077.88
Loss on disposal of non-current assets	2,178,029.29	12,610,269.22	2,178,029.29
Others	1,817,128.52	4,026,488.78	1,817,128.52
Total	12,917,235.69	28,584,594.00	12,917,235.69

60. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	457,778,696.15	564,800,047.60
Deferred income tax expenses	-191,722,048.10	-269,619,411.14
Total	266,056,648.05	295,180,636.46

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

Unit: RMB

Item	Amount for the period
Total profit	2,172,269,942.54
Income tax expenses calculated at statutory/applicable tax rates	325,840,491.38
Effect of different tax rates applicable to subsidiaries	-33,940,524.87
Effect of adjustments for income tax for prior periods	26,378,994.07
Effect of income not subject to tax	-199,768,992.13
Non-deductible costs, expenses and losses	35,054,244.88
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	-15,434,485.73
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	268,062,142.88
Profit and loss of joint ventures and associates accounted for using the equity method	40,803,365.18
The effect of tax rate changes on the opening balance of deferred income tax	-14,899,281.39
Tax effect of R & D fee deduction (listed with "-")	-136,939,306.22
The pre-tax deduction of the interest on Perpetual Bonds accounted as equity	-29,100,000.00
Income tax expense	266,056,648.05

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

61. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Default penalty and fine	21,312,403.81	31,483,669.33
Finance expenses – Interest income	380,426,195.87	301,405,794.11
Income-related government grants	792,045,853.85	502,905,296.95
Open credit and other income	200,271,888.17	228,147,969.26
Net proceedings from the financial leasing business	3,562,339,444.74	5,885,287,081.31
Total	4,956,395,786.44	6,949,229,810.96

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Financial institutions charge	244,065,319.39	249,130,994.84
Business hospitality expenses	114,049,421.75	134,787,611.84
Travel expenses	34,480,991.74	55,277,692.76
Office expenses	25,301,574.10	21,976,874.36
Transportation expenses	1,098,519,658.39	1,035,450,908.40
Leasing expenses	11,613,158.79	14,283,881.89
Waste disposal expenses	18,878,944.13	18,686,112.18
Insurance premium	30,058,435.52	19,412,563.18
Repair expenses	30,764,539.64	54,630,753.25
Cargo handling charges	36,441,851.25	37,988,391.76
Intermediary service expenses	49,981,129.73	43,965,039.03
Donation	8,922,077.88	11,947,836.00
Others	131,699,592.31	105,542,724.58
Total	1,834,776,694.62	1,803,081,384.07

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

61. Items on statements of cash flow (Cont'd)

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Recovery of consideration for equity transfer	409,282,077.65	767,670,000.00
Total	409,282,077.65	767,670,000.00

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Prepayments for land		101,130,000.00
Total		101,130,000.00

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Short-term commercial paper	814,457,000.00	3,081,090,437.86
Equipment leaseback	900,000,000.00	1,717,600,000.00
Deposit for finance lease	362,299,603.12	
Financial support from shareholders		332,440,865.27
Net recovery of guarantee deposit	3,153,589,473.80	734,974,699.49
Total	5,230,346,076.92	5,866,106,002.62

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

61. Items on statements of cash flow (Cont'd)

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of short-term commercial paper and MTN	2,190,000,000.00	5,070,000,000.00
Repayment of bonds	900,000,000.00	1,182,150,000.00
Repayment of equipment leaseback	2,568,988,488.34	3,155,141,094.22
Payment of Preference Shares dividend	387,101,073.42	493,494,767.52
Payment of Perpetual Bonds interest	194,000,000.00	194,000,000.00
Repayment of financial support from shareholders	708,440,900.00	
Security deposit for financial leasing	35,500,000.00	15,000,000.00
Payment of equity in China Development Bank funds	77,500,000.00	
Acquisition of non-controlling interests	450,000,000.00	
Total	7,511,530,461.76	10,109,785,861.74

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

62. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:	–	–
Net profit	1,906,213,294.49	1,753,298,192.81
Plus: Provision for impairment of assets	665,298,589.33	1,154,859,611.92
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of bearer biological assets	2,267,883,919.56	1,853,139,090.52
Depreciation of right-of-use assets		
Amortisation of intangible assets	49,691,095.45	53,100,846.01
Amortisation of long-term prepaid expenses	2,916,033.48	7,433,030.41
Loss on disposal of fixed assets, intangible assets and other long-term assets ("–" denotes gain)	1,298,968.59	30,173,140.18
Loss on scrapped fixed assets ("–" denotes gain)	-26,203,497.56	1,361,320.41
Loss on changes in fair value ("–" denotes gain)	-6,261,281.76	-26,692,741.61
Finance expenses ("–" denotes gain)	2,139,908,266.82	3,073,865,213.86
Investment loss ("–" denotes gain)	-173,363,537.49	-538,597,824.66
Decrease in deferred income tax assets ("–" denotes increase)	-191,722,048.10	-288,568,932.42
Increase in deferred income tax liabilities ("–" denotes decrease)	5,161,410.38	1,411,125.59
Decrease in inventories ("–" denotes increase)	-360,128,826.69	2,122,985,295.71
Decrease in operating receivables ("–" denotes increase)	5,956,184,790.79	7,690,318,930.21
Increase in operating payables ("–" denotes decrease)	-977,074,501.01	-4,655,379,076.00
Others		
Net cash flows from operating activities	11,259,802,676.28	12,232,707,222.94
2. Major investing and financing activities not involving cash settlements:	–	–
Capital converted from debts		
Convertible bonds of the Company due within one year		
Finance leases of fixed assets		
3. Net change in cash and cash equivalents:	–	–
Closing balance of cash	4,389,169,963.79	2,890,328,027.41
Less: Opening balance of cash	2,890,328,027.41	2,381,558,242.52
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,498,841,936.38	508,769,784.89

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

62. Supplementary information on cash flow statement (Cont'd)

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

Unit: RMB

	Amount
Cash or cash equivalents received from disposal of subsidiaries during the period	16,100,000.00
Of which:	—
Shouguang Chenming Industrial Logistics Co., Ltd.	7,100,000.00
Qingdao Chenming International Logistics Co., Ltd.	9,000,000.00
Less: Cash and cash equivalents held by the company on the date in the event that the control is lost	262,330.85
Of which:	—
Shouguang Chenming Industrial Logistics Co., Ltd.	259,575.02
Qingdao Chenming International Logistics Co., Ltd.	2,755.83
Plus: Cash or cash equivalents received from disposal of subsidiaries during previous periods	201,710,000.00
Of which:	—
Haicheng Haiming Mining Co., Ltd.	200,000,000.00
Wuxi Songling Paper Co., Ltd.	1,710,000.00
Net cash received from disposal of subsidiaries	217,547,669.15

(3) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	4,389,169,963.79	2,890,328,027.41
Of which: Treasury cash	2,161,684.57	2,418,131.86
Bank deposit that can be used for payment at any time	4,387,008,279.22	2,887,909,895.55
Other monetary funds that can be used for payment at any time		
Deposit at central bank deposit that can be used for payment		
Amount due from banks		
Amount due to banks		
II. Cash equivalents		
Of which: Bond investment with maturity within 3 months		
III. Balance of cash and cash equivalent at end of period	4,389,169,963.79	2,890,328,027.41
Of which: Restricted cash and cash equivalents used by the Company or subsidiaries within the Group		

VII. Notes to items of the consolidated financial statements (Cont'd)

63. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	13,022,652,331.98	As guarantee deposits for bank acceptance bills and letter of credit and deposit reserves
Assets held for trading	96,453,900.31	As deposits for borrowings from Haitong International Securities
Fixed assets	11,147,836,807.04	As collateral for bank borrowings and long-term payables
Intangible assets	1,247,015,765.23	As collateral for bank borrowings and long-term payables
Accounts receivable financing	5,555,551.65	As collateral for letters of guarantee and letters of credit
Investment property	4,929,794,589.62	As collateral for bank borrowings
Total	30,449,308,945.83	—

Other explanation:

As at 31 December 2020, 50% of the carrying amount of the financial assets held for trading were pledged as collateral for short-term borrowings amounting to RMB91,317,302.08, housing, building structure and equipment with the carrying amount of RMB11,147,836,807.04 (31 December 2019: carrying amount of RMB10,573,696,190.50) were pledged as collateral for intangible assets with the carrying amount of RMB1,247,015,765.23 (31 December 2019: carrying amount of RMB880,676,428.58), and investment properties with the carrying amount of RMB4,929,794,589.62 (31 December 2019: carrying amount of RMB4,519,487,976.25) was pledged as collateral for long-term borrowings with the carrying amount of RMB4,618,249,057.65 (31 December 2019: carrying amount of RMB5,110,291,847.19) and short-term borrowings with the carrying amount of RMB35,075,833.33 (31 December 2019: carrying amount of RMB180,000,000.00).

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

64. Foreign currency items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds	—	—	260,827,412.73
Of which: USD	37,907,361.33	6.5249	247,341,741.93
EUR	1,307,111.72	8.0250	10,489,571.54
HKD	3,504,687.95	0.8416	2,949,685.57
JPY	396.93	0.0632	25.10
GBP	5,217.89	8.8903	46,388.59
Accounts receivables	—	—	124,901,686.09
Of which: USD	14,186,526.37	6.5249	92,565,665.92
EUR	2,931,746.89	8.0250	23,527,268.79
HKD	—	—	—
JPY	139,299,629.64	0.0632	8,808,751.38
Long-term borrowings	—	—	1,273,181,079.15
Of which: USD	195,126,527.48	6.5249	1,273,181,079.15
Non-current liabilities due within one year	—	—	1,857,654,097.30
Of which: USD	284,702,309.20	6.5249	1,857,654,097.30
Accounts payable	—	—	282,733,309.14
Of which: USD	39,704,203.29	6.5249	259,065,956.03
EUR	2,949,202.88	8.0250	23,667,353.11
Bonds payable	—	—	1,096,920,101.46
Of which: USD	168,112,936.82	6.5249	1,096,920,101.46
Short-term borrowings	—	—	1,277,882,459.09
Of which: USD	181,851,853.21	6.5249	1,186,565,157.01
HKD	108,499,242.05	0.8416	91,317,302.08
Other receivables	—	—	9,262,356.02
Of which: USD	1,161,607.35	6.5249	7,579,371.80
EUR	209,717.66	8.0250	1,682,984.22
Other payables	—	—	3,081,392.95
Of which: USD	—	—	—
EUR	383,911.16	8.0250	3,080,887.06
JPY	8,000.03	0.0632	505.89

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

64. Foreign currency items (Cont'd)

- (2) Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal places of business, functional currency and basis. Reasons shall be disclosed if there is any change in the functional currency.

√ Applicable ☐ Not applicable

No.	Name of subsidiary	Principal place of business	Place of incorporation	Functional currency
1	Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
2	Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	KRW
3	Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
4	Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
5	Chenming Paper United States Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
6	Chenming (Overseas) Limited	Hong Kong, China	Hong Kong, China	USD
7	Chenming (Singapore) Limited	Singapore	Singapore	USD
8	Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD

XIII Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

65. Government grants

(1) General information of government grants

Unit: RMB

Type	Amount	Reporting item	Amount included in the current profit and loss
Project Funding for National Key Technology Research and Development Program	164,700.00	Other income	164,700.00
Subsidy for the improvement in environmental monitoring	20,000.00	Non-operating income	20,000.00
Subsidy for the provincial champion of a certain manufacturing field	800,000.00	Non-operating income	800,000.00
Sewage treatment and water conservation transformation project	1,192,682.88	Other income	1,192,682.88
Zhanjiang forestry-pulp-paper project	12,145,971.39	Other income	12,145,971.39
Enterprise reform and development subsidies	107,578,937.51	Other income and non-operating income	107,578,937.51
Financial subsidies for technical transformation project	101,984,107.72	Other income	101,984,107.72
Funding for environmental protection	80,048,967.41	Other income	80,048,967.41
Funding for R&D	564,000.00	Other income	564,000.00
Subsidy for technological innovation by enterprise	100,000.00	Other income	100,000.00
Refund of VAT upon assessment	1,846,849.03	Other income	1,846,849.03
Subsidy for foreign trade	211,200.00	Other income	211,200.00
Subsidy for top-notch talents	400,000.00	Non-operating income	400,000.00
Subsidy for equipment technologies	115,400.00	Other income	115,400.00
Subsidy for inviting investments	6,306,806.25	Other income and non-operating income	6,306,806.25
Employment stabilisation subsidies	4,856,411.21	Other income and non-operating income	4,856,411.21
Subsidies for social insurance	486,607.82	Other income and non-operating income	486,607.82
Subsidies for R&D	2,469,900.00	Other income	2,469,900.00
Subsidies for financing	130,000.00	Other income	130,000.00
Refund of tax	71,675,835.40	Other income	71,675,835.40
Financial discount	3,753,300.60	Financial expenses	3,753,300.60
Subsidies for the pandemic	1,495,150.00	Other income and non-operating income	1,495,150.00
Subsidies for forestation	6,316,370.50	Other income	6,316,370.50
Others	540,115,190.13	Other income and non-operating income	540,115,190.13
Total	944,778,387.85		944,778,387.85

(2) The condition of the refund of government grants

☐ Applicable ☒ Not applicable

XIII Financial Report

VIII. Change in scope of consolidation

1. Business combination not under common control

(1) Business combination not under common control during the current period

Unit: RMB

Acquiree	Date of acquiring the shareholding	Consideration for acquiring the shareholding	Shareholding ratio acquired	The way of acquiring the shareholding	Acquisition date	The basis for determining the date of acquisition	The income of acquiree from the date of acquisition to the end of the period	The net profit of acquiree from the date of acquisition to the end of the period
Kunshan Tuohan Plastic Products Co., Ltd.	31 August 2020	220,000,000.00	100.00%	Acquisition	31 August 2020	Acquisition of control	126,970,053.68	7,770,967.40

(2) Cost of combination and goodwill

Unit: RMB

Cost of combination

– Cash	220,000,000.00
Total cost of combination	220,000,000.00
Less: the interest in the fair value of the identifiable net assets acquired	193,053,094.62
Amount of goodwill/cost of combination being less than the interest in the fair value of the identifiable net assets acquired	26,946,905.38

VIII. Change in scope of consolidation (Cont'd)

1. Business combination not under common control (Cont'd)

(3) Acquiree's identifiable assets or liabilities as at the acquisition date

Unit: RMB

	Fair value as at the acquisition date	Carrying amount as at the acquisition date
Monetary funds	3,970,890.87	4,341,878.49
Accounts receivable	22,802,767.21	23,484,179.31
Inventories	87,355,065.38	81,634,148.00
Fixed assets	61,642,451.22	43,478,433.59
Intangible assets	40,181,103.63	12,532,077.88
Prepayments	913,954.62	913,954.62
Other receivables	121,051,049.75	121,051,049.75
Other current assets	92,948.20	348,349.39
Long-term prepaid expenses	211,858.41	210,619.47
Accounts payable	58,760,177.22	58,760,177.22
Deferred income tax liabilities	6,871,956.51	
Short-term borrowings	49,800,000.00	49,800,000.00
Employee benefits payable	2,358,660.55	2,358,660.55
Taxes payable	-5,828,397.35	-5,828,397.35
Other payables	5,845,173.43	5,845,173.43
Other current liabilities	2,161,424.31	2,161,424.31
Long-term payables	25,200,000.00	25,200,000.00
Net assets	193,053,094.62	149,697,652.34
Net assets acquired	193,053,094.62	149,697,652.34

XIII Financial Report

VIII. Change in scope of consolidation (Cont'd)

2. Disposal of subsidiaries

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

☒ Yes ☐ No

Unit: RMB

Name of subsidiary	Consideration of disposal of equity interest	Shareholding of disposal of equity interest	Way of disposal of equity interest	Time of loss of control	Basis for determining the time of loss of control	Difference between consideration and share of net assets of relevant subsidiary as per consolidated financial statements	Remaining shareholding as of the date of loss of control	Carrying amount of remaining shareholding as of the date of loss of control	Fair value of remaining shareholding as of the date of loss of control	Gain or loss in fair value of remaining shareholding	Determination and key assumption of fair value of remaining shareholding as of the date of loss of control	Relevant other comprehensive income of former subsidiary transferred to profit or loss
Qingdao Chenming International Logistics Co., Ltd.	23,000,000.00	100.00%	Transfer	29 February 2020	Without control	11,364,811.86	0.00%	0.00	0.00	0.00		0.00
Shouguang Chenming Industrial Logistics Co., Ltd.	7,100,000.00	100.00%	Transfer	29 February 2020	Without control	5,413,230.15	0.00%	0.00	0.00	0.00		0.00

Other explanation:

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

☐ Yes ☒ No

3. Others

During the year, the scope of consolidation had 8 newly established subsidiaries, namely Chenming (Overseas) Co., Ltd., Chenming (Singapore) Co., Ltd., Qingdao Chenming Import and Export Trade Co., Ltd., Hainan Chenming Technology Co., Ltd., Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership), Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd., Shandong Dingkun Asset Management Partnership (Limited Partnership) and Huanggang Chenming Paper Technology Co., Ltd. During the year, a subsidiary was acquired not within the definition of business, namely Shanghai Herui Investment Co., Ltd., and a subsidiary, Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd. was absorbed into the Group. Please refer to Note IX. 1. Interest in subsidiaries for details.

XIII Financial Report

IX. Interest in other entities

1. Interest in subsidiaries

(1) Constitution of the Group

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang	Zhanjiang	Paper making	For-profit corporation	100.00%		Establishment	0	0
Shouguang Meilun Paper Co., Ltd.	Shouguang	Shouguang	Paper making	For-profit corporation	87.3965%		Establishment	0	0
Jilin Chenming Paper Co., Ltd.	Jilin	Jilin	Paper making	For-profit corporation	100.00%		Acquisition	0	0
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang	Huanggang	Pulp production	For-profit corporation	100.00%		Establishment	0	0
Shandong Chenming Paper Sales Co., Ltd.	Shouguang	Shouguang	Sales of paper product	For-profit corporation	100.00%		Establishment	0	0
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang	Shouguang	Trading	For-profit corporation	100.00%		Establishment	0	0
Jiangxi Chenming Supply Chain Management Co., Ltd.	Jiangxi	Jiangxi	Trading	For-profit corporation		70.00%	Establishment	0	0
Chenming GmbH	Germany	Germany	Paper product trading	For-profit corporation	100.00%		Establishment	0	0
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang	Shouguang	Machinery manufacturing	For-profit corporation	100.00%		Establishment	0	0
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang	Shouguang	Printing and packaging	For-profit corporation	100.00%		Acquisition	0	0
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang	Shouguang	Transportation	For-profit corporation	100.00%		Establishment	0	0
Jinan Chenming Paper Sales Co., Ltd.	Jinan	Jinan	Investment Management/ Paper product trading	For-profit corporation	100.00%		Establishment	0	0
Huanggang Chenming Arboriculture Development Co., Ltd.	Huanggang	Huanggang	Arboriculture	For-profit corporation	100.00%		Establishment	0	0
Chenming Arboriculture Co., Ltd.	Wuhan	Wuhan	Arboriculture	For-profit corporation	100.00%		Establishment	0	0
Chenming Paper Korea Co., Ltd.	Korea	Korea	Paper product trading	For-profit corporation	100.00%		Establishment	0	0
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang	Shouguang	Power	For-profit corporation	100.00%		Establishment	0	0

XIII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Shouguang Shun Da Customs Declaration Co., Ltd.	Shouguang	Shouguang	Customs declaration	For-profit corporation	100.00%		Establishment	0	0
Shanghai Chenming Industry Co., Ltd.	Shanghai	Shanghai	Property investment and management	For-profit corporation	100.00%		Establishment	0	0
Shandong Chenming Group Finance Co., Ltd.	Jinan	Jinan	Finance	For-profit corporation	80.00%	20.00%	Establishment	0	0
Jiangxi Chenming Paper Co., Ltd.	Nanchang	Nanchang	Paper making	For-profit corporation	42.46%	47.49%	Establishment	0	0
Shouguang Chenming Art Paper Co., Ltd.	Shouguang	Shouguang	Paper making	For-profit corporation	75.00%		Establishment	0	0
Hailaer Chenming Paper Co., Ltd.	Hailaer	Hailaer	Paper making	For-profit corporation	75.00%		Establishment	0	0
Shandong Grand View Hotel Co., Ltd.	Shouguang	Shouguang	Catering	For-profit corporation	70.00%		Establishment	0	0
Wuhan Chenming Hanyang Paper Holdings Co., Ltd	Wuhan	Wuhan	Paper making	For-profit corporation	65.205%	34.64%	Establishment	0	0
Chengdu Chenming Culture Communication Co., Ltd	Chengdu	Chengdu	Marketing	For-profit corporation		100.00%	Establishment	0	0
Shandong Chenming Financial Leasing Co., Ltd.	Jinan	Jinan	Financial leasing	For-profit corporation		100.00%	Establishment	0	0
Qingdao Chenming Nonghai Financial Leasing Co., Ltd	Qingdao	Qingdao	Financial leasing	For-profit corporation		100.00%	Establishment	0	0
Chenming (HK) Limited	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100.00%	Establishment	0	0
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang	Shouguang	Packaging	For-profit corporation		100.00%	Merger and acquisition	0	0
Shouguang Xinyuan Coal Co., Ltd.	Shouguang	Shouguang	Coal	For-profit corporation		100.00%	Merger and acquisition	0	0
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang	Shouguang	Purchase and sale of waste	For-profit corporation		100.00%	Merger and acquisition	0	0
Shouguang Wei Yuan Logistics Company Limited	Shouguang	Shouguang	Logistics	For-profit corporation		100.00%	Merger and acquisition	0	0
Shandong Chenming Panels Co., Ltd. S	Shouguang	Shouguang	Panels	For-profit corporation		100.00%	Merger and acquisition	0	0

XIII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Shouguang Chenming Floor Board Co., Ltd.	Shouguang	Shouguang	Floor Board	For-profit corporation		100.00%	Merger and acquisition	0	0
Shouguang Chenming Cement Co., Limited	Shouguang	Shouguang	Cement	For-profit corporation		100.00%	Establishment	0	0
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan	Wuhan	Thermal power	For-profit corporation		51.00%	Establishment	0	0
Shandong Chenming Investment Limited	Jinan	Jinan	Investment	For-profit corporation		100.00%	Establishment	0	0
Japan Chenming Paper Co., Ltd.	Japan	Japan	Paper product trading	For-profit corporation		100.00%	Establishment	0	0
Chenming International Co., Ltd.	the United States	the United States	Paper product trading	For-profit corporation		100.00%	Establishment	0	0
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Zhanjiang	Zhanjiang	Arboriculture	For-profit corporation		100.00%	Establishment	0	0
Yangjiang Chenming Arboriculture Development Co., Ltd.	Yangjiang	Yangjiang	Arboriculture	For-profit corporation		100.00%	Establishment	0	0
Nanchang Chenming Arboriculture Development Co., Ltd.	Nanchang	Nanchang	Arboriculture	For-profit corporation		100.00%	Establishment	0	0
Guangdong Huirui Investment Co., Ltd.	Zhanjiang	Zhanjiang	Investment	For-profit corporation		100.00%	Establishment	0	0
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Zhanjiang	Zhanjiang	Wall materials	For-profit corporation		100.00%	Establishment	0	0
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin	Jilin	Wall materials	For-profit corporation		100.00%	Establishment	0	0
Jilin Chenming Logistics Co., Ltd.	Jilin	Jilin	Logistics	For-profit corporation		100.00%	Establishment	0	0
Jiangxi Chenming Logistics Co., Ltd.	Nanchang	Nanchang	Logistics	For-profit corporation		100.00%	Establishment	0	0
Fuyu Chenming Paper Co., Ltd.	Fuyu	Fuyu	Paper making	For-profit corporation		100.00%	Establishment	0	0
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang	Zhanjiang	Paper making	For-profit corporation		100.00%	Establishment	0	0
Shanghai Chenming Financial Leasing Co., Ltd.	Shanghai	Shanghai	Financial leasing	For-profit corporation		100.00%	Establishment	0	0
Guangzhou Chenming Financial Leasing Co., Ltd.	Guangzhou	Guangzhou	Financial leasing	For-profit corporation		100.00%	Establishment	0	0

XIII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Shanghai Hongtai Real Estate Co., Ltd.	Shanghai	Shanghai	Real estate	For-profit corporation		100.00%	Merger and acquisition	0	0
Shanghai Hongtai Property Management Co., Ltd.	Shanghai	Shanghai	Arboriculture	For-profit corporation		100.00%	Merger and acquisition	0	0
Shandong Chenming Commercial Factoring Co., Ltd.	Jinan	Jinan	Business factoring	For-profit corporation		100.00%	Establishment	0	0
Guangzhou Chenming Commercial Factoring Co., Ltd.	Guangzhou	Guangzhou	Business factoring	For-profit corporation		51.00%	Establishment	0	0
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	Qingdao	Qingdao	Trading	For-profit corporation	30.00%	70.00%	Establishment	0	0
Shandong Chenming Coated Paper Sales Co. Ltd.	Shouguang	Shouguang	Paper product trading	For-profit corporation	100.00%		Establishment	0	0
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang	Zhanjiang	Port	For-profit corporation		100.00%	Establishment	0	0
Beijing Chenming Financial Leasing Co., Ltd.	Beijing	Beijing	Financial leasing	For-profit corporation		100.00%	Establishment	0	0
Chenming Paper United States Co., Ltd.	the United States	the United States	Paper product trading	For-profit corporation	100.00%		Establishment	0	0
Guangdong Chenming Panels Co., Ltd.	Guangdong	Guangdong	Panels	For-profit corporation		100.00%	Establishment	0	0
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	Shanghai	Shanghai	Paper product trading	For-profit corporation		100.00%	Establishment	0	0
Meilun (BVI) Limited	Cayman	Cayman	Commerce	For-profit corporation		100.00%	Establishment	0	0
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Fund	For-profit corporation	79.00%		Establishment	0	0
Nanjing Chenming Culture Communication Co., Ltd.	Nanjing	Nanjing	Marketing	For-profit corporation		100.00%	Establishment	0	0
Chenming (Overseas) Co., Ltd.	Hong Kong	Hong Kong	Paper product trading	For-profit corporation	100.00%		Establishment	0	0
Chenming (Singapore) Co., Ltd.	Singapore	Singapore	Paper product trading	For-profit corporation	100.00%		Establishment	0	0
Kunshan Tucan Plastic Products Co., Ltd.	Kunshan	Kunshan	Rubber and plastic	For-profit corporation		100.00%	Merger and acquisition	0	0

XIII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Type of legal person	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)	Huanggang	Huanggang	Fund	For-profit corporation		59.97%	Establishment	0	0
Hainan Chenming Technology Co., Ltd.	Haikou	Haikou	Wholesale and retail	For-profit corporation		100.00%	Establishment	0	0
Qingdao Chenming Import and Export Trade Co., Ltd.	Qingdao	Qingdao	Trading	For-profit corporation		100.00%	Establishment	0	0
Shanghai Herui Investment Co., Ltd.	Shanghai	Shanghai	Business services	For-profit corporation		100.00%	Merger and acquisition	0	0
Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.	Huanggang	Huanggang	Capital market services	For-profit corporation		60.00%	Establishment	0	0
Shandong Dingkun Asset Management Partnership (Limited Partnership)	Shouguang	Shouguang	Business services	For-profit corporation		99.90%	Establishment	0	0
Huanggang Chenming Paper Technology Co., Ltd.	Huanggang	Huanggang	Paper making	For-profit corporation		100.00%	Establishment	0	0
Huanggang Chenming Port Co., Ltd.	Huanggang	Huanggang	Port services	For-profit corporation		51.00%	Establishment	0	0

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority interest	Gain or loss attributable to minority interest during the period	Dividend to minority interest declared during the period	Closing balance of minority interest
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	0.15%	134,972,455.36		1,096,519.70
Shouguang Chenming Art Paper Co., Ltd.	25.00%	383,946.72		98,750,186.78
Shouguang Meilun Paper Co., Ltd.	12.6035%	24,854,458.98		746,482,412.98
Jiangxi Chenming Paper Co., Ltd.	10.05%	44,431,564.61	17,444,349.31	347,455,281.83

XIII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(3) Key financial information of major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	734,208,419.79	1,351,736,457.46	2,085,944,877.25	1,314,519,046.29	43,365,094.68	1,357,884,140.97	242,300,843.28	1,042,530,549.73	1,284,831,393.01	854,628,918.19	84,521,086.15	939,150,004.94
Shouguang Chenming Art Paper Co., Ltd.	210,008,389.30	531,396,869.27	741,405,258.57	346,404,511.49		346,404,511.49	651,004,033.69	573,204,378.67	1,224,208,412.36	830,743,452.16		830,743,452.16
Shouguang Meilun Paper Co., Ltd.	3,954,358,701.82	10,971,104,092.03	14,925,462,793.85	7,816,696,758.19	1,228,430,785.12	9,045,127,544.31	5,071,137,194.65	11,453,663,652.73	16,524,800,847.38	10,013,297,488.59	1,186,061,831.08	11,199,359,319.67
Jiangxi Chenming Paper Co., Ltd.	2,898,786,538.59	4,742,116,901.13	7,640,903,439.72	2,918,424,625.58	1,377,979,879.82	4,296,404,505.40	5,176,446,285.48	3,845,100,253.80	9,021,546,539.28	4,643,403,573.27	1,194,736,398.81	5,838,139,972.08

Unit: RMB

Name of subsidiary	Amount for the period				Amount for the prior period			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	906,791,287.88	382,379,348.21	382,379,348.21	57,915,078.59	1,282,969,981.66	71,445,390.72	71,445,390.72	104,514,705.53
Shouguang Chenming Art Paper Co., Ltd.	642,697,593.98	1,535,786.88	1,535,786.88	-345,949,577.00	765,841,628.21	68,355,698.51	68,355,698.51	-66,098,414.48
Shouguang Meilun Paper Co., Ltd.	8,070,365,747.22	219,893,721.83	219,893,721.83	1,505,697,902.65	5,199,154,922.05	199,184,684.14	199,184,684.14	1,510,148,358.58
Jiangxi Chenming Paper Co., Ltd.	3,434,854,907.78	265,237,736.13	265,237,736.13	1,352,811,772.58	3,257,505,575.39	285,914,254.01	285,914,254.01	800,733,878.52

IX. Interest in other entities (Cont'd)

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

(1) Changing in shareholding in subsidiaries

The Group previously held 100% of equity interest in Shouguang Meilun Paper Co., Ltd. In December 2019, the Company entered the capital increase and share expansion agreement among Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) and Shouguang Meilun Paper Co., Ltd.. Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) made a unilateral capital injection into Shouguang Meilun Paper Co., Ltd. Upon completion of the capital increase, its equity interest in Shouguang Meilun Paper Co., Ltd. was 8% by Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership), and the transaction did not result in the loss of our control of Shouguang Meilun Paper Co., Ltd. As of 31 December 2019, the implementation of this agreement was completed, and the capital increase was RMB415 million. The transaction resulted in an increase in minority interest of RMB431.44 million and a decrease in capital reserves of RMB16.44 million.

In December 2020, the Group acquired additional 34.64% equity interest in Wuhan Chenming Hanyang Paper Holdings Co., Ltd. In December 2020, the Group acquired additional 6.70% equity interest in Jiangxi Chenming Paper Co., Ltd. A capital increase of Shouguang Meilun Paper Co., Ltd., a subsidiary of the Group, was contributed on the part of Dongxing Securities Investment Co., Ltd. Upon completion of the capital increase, Dongxing Securities Investment Co., Ltd. acquired 5% equity interest in Shouguang Meilun Paper Co., Ltd., and the transaction did not result in the loss of the Group's control over Shouguang Meilun Paper Co., Ltd.

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

Unit: RMB

	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Jiangxi Chenming Paper Co., Ltd.
– Cash	250,000,000.00	200,000,000.00
Less: share of net assets in subsidiaries based on shares acquired/disposed	245,573,256.85	224,081,428.60
Difference	4,426,743.15	-24,081,428.60
Of which: capital reserve adjustment	4,426,743.15	-24,081,428.60

(3) Effect of capital increased contributed on the part of another shareholder on minority interests and equity attributable to the owners of the parent company

Unit: RMB

Item	Shouguang Meilun Paper Co., Ltd.
Share of net assets of the Group before the capital increase	4,987,609,644.29
Amount of capital increase	300,000,000.00
Share of net assets of the Group after the capital increase	5,000,228,916.06
Difference	-12,619,271.77
Of which: capital reserve adjustment	-12,619,271.77

XIII Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint venture and associate	Principle place of business	Principle place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Weifang Senda Meixi Port Co., Ltd.	Weifang	Weifang	Port construction	50.00%		Equity method
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Ningbo	Ningbo	Investment management	40.00%		Equity method
Weifang Xingxing United Chemical Co., Ltd.	Weifang	Weifang	Chemical	50.00%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai	Zhuhai	Investment management	50.00%		Equity method
Goldtrust Futures Co., Ltd.	Changsha	Changsha	Futures	35.43%		Equity method
Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Investment management	44.44%		Equity method
Guangdong Nanyue Bank Co., Ltd.	Guangdong	Guangdong	Bank	16.62%		Equity method

XIII Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures

Unit: RMB

	Closing balance/ Amount for the period		Opening balance/ Amount for the prior period	
	Weifang Sime Darby West Port Co., Ltd.	Weifang Xingxing United Chemical Co., Ltd.	Weifang Sime Darby West Port Co., Ltd.	Weifang Xingxing United Chemical Co., Ltd.
Current assets	11,717,494.06	118,868,385.80	26,890,506.23	94,334,994.14
Of which: Cash and cash equivalents	5,739,139.97	37,588,664.71	8,299,040.10	25,959,739.14
Non-current assets	526,006,172.67	24,644,081.09	543,566,206.60	32,100,379.42
Total assets	537,723,666.73	143,512,466.89	570,456,712.83	126,435,373.56
Current liabilities	17,876,446.30	26,318,294.93	16,216,196.08	27,927,549.31
Non-current liabilities	370,515,018.03	22,662,556.59	389,517,611.14	
Total liabilities	388,391,464.33	48,980,851.52	405,733,807.22	27,927,549.31
Equity interest attributable to shareholders of the parent company	149,332,202.40	94,531,615.37	164,722,905.61	98,507,824.25
Share of net assets based on shareholding – Unrealised profit arising from intra-group transactions	74,666,101.20 7,277,405.72	47,265,807.69 44,608,577.43	82,361,452.81 7,365,218.95	49,253,912.13 44,562,645.26
Carrying amount of investment in joint ventures	81,943,506.92	91,874,385.12	89,726,671.76	93,816,557.39
Revenue	56,243,755.61	1,596,938.76	29,834,105.08	132,763,766.49
Finance expenses	21,875,452.03	-733,877.86	20,667,999.05	-394,709.39
Income tax expenses				4,706,185.72
Net profit	-15,604,782.40	-3,183,622.90	-26,827,919.17	14,118,557.12
Total comprehensive income	-15,604,782.40	-3,183,622.90	-26,827,919.17	14,118,557.12
Dividend received from joint ventures during the year				23,000,000.00

XIII Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates

Unit: RMB

	Closing balance/Amount for the period					Opening balance/Amount for the prior period				
	Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Goldtrust Futures Co., Ltd.	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Guangdong Nanque Bank Co., Ltd.	Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Goldtrust Futures Co., Ltd.	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Guangdong Nanque Bank Co., Ltd.
Current assets	24,928,544.79	5,788,211.20	764,236,547.83	281.95	70,627,194,227.70	43,709,912.78	5,810,979.79	514,865,137.33	8,000,250.00	43,993,240,945.90
Non-current assets	171,877,206.00	99,020,108.00	18,545,737.98	450,000,000.00	169,970,138,147.42	154,450,006.00	99,020,000.00	13,965,721.72	407,000,000.00	162,549,835,269.08
Total assets	196,805,750.79	104,808,319.20	782,782,285.81	450,000,281.95	240,597,332,375.12	198,159,918.78	104,830,979.79	528,830,859.05	415,000,250.00	206,543,076,214.98
Current liabilities	19,749.95	5,000.00	544,534,428.24	15,000.00	197,253,124,440.72	21,826.94	5,000.00	281,568,856.43	8,000,000.00	172,504,238,508.02
Non-current liabilities			32,169,041.10		24,930,860,850.46			30,000,000.00		17,098,918,091.65
Total liabilities	19,749.95	5,000.00	576,703,469.34	15,000.00	222,183,985,291.18	21,826.94	5,000.00	311,568,856.43	8,000,000.00	189,603,156,599.67
Net assets	196,786,000.84	104,803,319.20	206,078,816.47	449,985,281.95	18,413,347,083.94	198,138,091.84	104,825,979.79	217,262,002.62	407,000,250.00	16,847,722,509.11
Share of net assets based on shareholding	78,714,400.34	52,401,659.82	73,013,724.68	199,973,459.30	3,060,298,285.35	79,255,236.74	52,412,989.90	76,975,927.53	180,870,911.10	2,800,091,481.01
– Goodwill			104,073,292.25					104,073,292.25		
– Others	119,835,525.93		12,279,914.66	-267,823.00		120,273,610.78		11,683,737.93	-22,870,911.10	
Carrying amount of investment in joint ventures	198,549,926.27	52,401,659.82	189,366,931.59	199,705,636.28	3,060,298,285.35	199,528,847.52	52,412,989.90	192,732,957.71	158,000,000.00	2,800,091,481.01
Revenue			49,996,217.01	1,232,673.27	4,849,150,132.82			48,222,356.65		11,008,440,467.50
Net profit	-2,447,303.13	-22,860.59	-9,500,497.09	-14,968.05	1,539,105,400.52	-154,058.98	318,344.37	329,683.17	250.00	1,634,495,792.15
Total comprehensive income	-2,447,303.13	-22,860.59	-9,500,497.09	-14,968.05	1,539,105,400.52	-154,058.98	318,344.37	329,683.17	250.00	1,634,495,792.15

(4) Summary financial information of non-major joint ventures and associates

Unit: RMB

	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Joint ventures:	–	–
Total carrying amount of investment	22,032,934.47	9,669,667.61
Total amount of the following items based on shareholding	–	–
– Net profit	1,646,466.86	2,216,832.82
– Total comprehensive income	1,646,466.86	2,216,832.82
Associates:	–	–
Total carrying amount of investment	9,985,136.83	10,359,850.83
Total amount of the following items based on shareholding	–	–
– Net profit	-374,714.00	-494,921.70
– Total comprehensive income	-374,714.00	-494,921.70

X. Risk relating to financial instruments

Main financial instruments of the Group include monetary funds, bills receivable, accounts receivable, other receivables, non-current assets due within one year, other current assets, other non-current financial assets, long-term receivables, short-term borrowings, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable and Long-term payables. Details of financial instruments refer to related notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled in a limited extent.

1. Risk management goals and policies

The Group aims to seek the appropriate balance between the risks and benefits in order to mitigate the adverse effects on the Group's financial performance from financial risk. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and devise corresponding internal control procedures, and to monitor risks faced by the Group. Such risk management policies and internal control systems are reviewed regularly to adapt to changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

Risks associated with the financial instrument of the Group mainly include credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk).

The board of directors is responsible to plan and establish the Group's risk management structure, make risk management policies and related guidelines, and supervise the implementation of risk management. The Group has already made risk management risks to identify and analyse risks that the Group face. These policies mentioned specific risks, covering market, credit risk and liquidity risk etc. The Group regularly assesses market environment and the operation of the Group changes to determine if to make alteration to risk management policy and systems. The Group's risk management is implemented by Risk Management Committee according to the approval of the board of directors. The Risk Management Committee works closely with other business department of the Group to identify, evaluating and avoiding certain risks. The Group's internal audit department will audit the risk management control and procedures regularly and report the result to audit committee of the Group.

The Group spreads risks through diverse investment and business lines, and through making risk management policy to reduce risks of single industry, specific area and counterpart.

(1) Credit risks

Credit risk refers to risk associated with the default of contract obligation of a transaction counterparty.

The Group manages credit risk based category. Credit risks mainly arose from bank deposit, bills receivable, accounts receivable, other receivables and long-term receivables etc.

The Group's bank deposit mainly deposits in state-owned banks and other large and medium-sized listed banks. The Group anticipated that the bank deposit does not have significant credit risk.

For bill receivable, accounts receivables, other receivables and long-term receivables, the Group set related policies to control exposure of credit risks. The Group evaluate client's credit quality and set related credit period based on the client's financial status, credit records and other factors such as current market situation etc. The Group keep monitor the client's credit record and for client with deteriorate credit records, the Group will ensure the credit risk is under control in whole by means of written notice of payment collection, shorten or cancel credit period.

X. Risk relating to financial instruments *(Cont'd)*

1. Risk management goals and policies *(Cont'd)*

(1) Credit risks *(Cont'd)*

The Group's debtor spread over different industry and area. The Group continued to assess the credit evaluation to receivables and purchase credit guarantee insurance if necessary.

The biggest credit risk exposure of the Group is the carrying amount of each financial asset in the balance sheet. The Group did not provide financial guarantee which resulted in credit risks.

The amount of top 5 accounts receivable of the Group accounted for 21.47% (2019: 29.05%) of the Group's total accounts receivables. The amount of top 5 other receivable of the Group accounted for 81.22% (2019: 87.09%) of the Group's total other receivables.

(2) Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, we obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash was generated from capital and bank and other borrowings. As of 31 December 2020, the Group's unused bank loan credit is RMB38,894.7823 million (31 December 2019: 34,072.1416 million).

XIII Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(2) Liquidity risk (Cont'd)

As at the end of the period, the financial assets and financial liabilities of the Group are analysed by their maturity date as below at their undiscounted contractual cash flows (in ten thousand RMB):

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

XIII Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(2) Liquidity risk (Cont'd)

As at the beginning of the period, the financial assets and financial liabilities of the Group at the reporting date are analysed by their maturity date as below at their undiscounted contractual cash flows (in ten thousand RMB):

Item	2019.12.31					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	
Financial assets:						
Monetary funds	1,906,656.98					1,906,656.98
Accounts receivable	307,736.22					307,736.22
Accounts receivable financing	44,291.59					44,291.59
Other receivables	270,183.01					270,183.01
Long-term receivables		17,413.54	23,488.20	81,470.83		122,372.57
Other current assets	808,452.56					808,452.56
Non-current assets due within one year	697,303.80					697,303.80
Total financial assets	4,034,624.16	17,413.54	23,488.20	81,470.83		4,156,996.73
Financial liabilities:						
Short-term borrowings	3,688,315.60					3,688,315.60
Bills payable	151,504.82					151,504.82
Accounts payable	435,108.76					435,108.76
Other payables	238,605.99					238,605.99
Non-current liabilities due within one year	566,295.89					566,295.89
Other current liabilities	22,240.25					22,240.25
Long-term borrowings		521,440.85	117,319.88	86,672.98	188,600.26	914,033.97
Bonds payable		116,920.09	8,907.00			125,827.09
Lease liabilities		457.07	443.29	472.83	7,220.12	8,593.31
Long-term payables		64,272.98	96,887.59	83,321.65	87,671.33	332,153.55
Total financial liabilities and contingent liabilities	5,102,071.31	703,090.99	223,557.76	170,467.46	283,491.71	6,482,679.23

The financial liabilities disclosed above are based on cash flows that are not discounted and may differ from the carrying amount of the line items of the balance sheet.

Financial guarantees issued do not represent the amount to be paid.

X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(3) Market risk

Market risk includes interest rate risk and currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the changes in market price.

Interest risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Group's finance department continuously monitors the interest rate position of the Group. The Group did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Group's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

Interest bearing financial instrument held by the Group are as follows (in ten thousand RMB):

Item	Balance for the year	Balance for the prior year
Financial instrument with fixed interest rate		
Financial liabilities		
Of which: Short-term borrowings	3,279,399.30	3,688,315.60
Long-term borrowings	807,715.10	914,033.97
Bonds payable	153,687.74	125,827.09
Total	4,240,802.14	4,728,176.66
Financial instrument with float interest rate		
Financial assets		
Of which: Monetary funds	438,700.83	288,790.99
Total	438,700.83	288,790.99

X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(3) Market risk (Cont'd)

The financial instruments held by the Group at the reporting date expose the Group to fair value interest rate risk. This sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Group at the reporting date expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the effect to the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for prior year.

Exchange rate risk

Exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will be fluctuated due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The principal business of the Group is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognised by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Japanese yen, South Korean Won, Euro, Hong Kong dollar and British pound).

The following table details the financial assets and liabilities held by the Group which denominated in foreign currencies and amounted to RMB as at 31 December 2020 are as follows (in RMB ten thousands):

Item	Liabilities denominated in foreign currency		Asset denominated in foreign currency	
	As at the end of the period	As at the beginning of the period	As at the end of the period	As at the beginning of the period
USD	589,167.11	453,753.14	36,393.34	147,730.57
EUR	2,692.09	9,890.43	4,547.15	5,131.53
HKD	9,131.73	3,150.80	294.97	63.69
KRW				
YEN	0.05		880.88	941.18
GBP			4.64	1.86
Total	600,990.98	466,794.37	42,120.98	153,868.83

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

XIII Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(3) Market risk (Cont'd)

With other variables unchanged, the after-tax effect of the possible reasonable changes in the exchange rate of foreign currency to RMB on the current profit and loss of the Group is as follows (in RMB ten thousands):

Increase (decrease) in after-tax profits	Balance for the year		Balance for the prior year	
Increase in exchange rate of USD	5%	-27,638.69	5%	-15,301.13
Decrease in exchange rate of USD	-5%	27,638.69	-5%	15,301.13
Increase in exchange rate of Euro	5%	92.75	5%	-237.95
Decrease in exchange rate of Euro	-5%	-92.75	-5%	237.95

2. Capital management

The objective of the Group's capital risk management is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net liabilities divided by total capital. As at 31 December 2020, the Group's gearing ratio is 71.83% (31 December 2019: 73.11%).

XI. Fair value

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

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement of fair value	-	-	-	-
(I) Financial liabilities held for trading	192,907,800.62			192,907,800.62
1. Equity instrument investments	192,907,800.62			192,907,800.62
(II) Biological assets		1,535,386,865.44		1,535,386,865.44
1. Consumable biological assets		1,535,386,865.44		1,535,386,865.44
(III) Accounts receivable financing		488,385,666.76		488,385,666.76
(IV) Other non-current financial assets		145,910,000.00		145,910,000.00
Total assets continuously measured at fair value	192,907,800.62	2,169,682,532.20		2,362,590,332.82
II. Non-continuous measurement of fair value	-	-	-	-

XIII Financial Report

XI. Fair value (Cont'd)

2. Quantitative Information About Significant Unobservable Inputs Used in the Level 3 Fair Value Measurement that Are Significant

Unit: RMB

Item	Fair value as at the end of the period	Valuation techniques	Unobservable inputs	Range
Equity instrument investments:				
Shandong Hongqiao Venture Capital Co., Ltd.	90,910,000.00	Cost method		
Consumable biological assets:				
Forestry	1,535,386,865.44	Replacement cost method	Cost per mu for the first year of Eucalyptus	806.00(ton/RMB)
			Cost per mu for the first year of Pines	592.00(ton/RMB)
		Roll back method of market price	Unit price per ton of Eucalyptus wood	575.00(ton/RMB)
			Unit price per ton of wet pine	430.00(ton/RMB)
			Unit price per ton of Chinese fir	800.00(ton/RMB)

XII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Chenming Holdings Co., Ltd.	Shouguang	Investment in manufacture of paper, electricity, steam, and arboriculture	1,238,787,700	27.53%	27.53%

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

2. Subsidiaries of the Company

For subsidiaries of the Company, please refer to Note IX. 1.

XII. Related parties and related party transactions (Cont'd)

3. Joint ventures and associates of the Company

For details of joint ventures or associates, please refer to Note IX. 3.

Balance of related party transaction between the Company and its joint ventures or associates during the period or prior periods are as follows:

Name of joint ventures or associates	Relation
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture of the Group
Weifang Xingxing United Chemical Co., Ltd.	A joint venture of the Group
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Group
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	An associate of the Group
Chenming (Qingdao) Asset Management Co., Ltd.	An associate of the Group
Jiangxi Chenming Port Co., Ltd.	An associate of the Group
Weifang Sime Darby West Port Co., Ltd.	A joint venture of the Group
Guangdong Nanyue Bank Co., Ltd.	An associate of the Group

4. Other related parties

Name of other related parties	Relation
Shandong Shouguang Jinxin Investment Development Holdings Group Co., Ltd.	Shareholder of the Company's largest shareholder
Shouguang Henglian Enterprise Investment Limited	Shareholder of the Company's largest shareholder
Shouguang Ruifeng Enterprise Investment Limited	Shareholder of the Company's largest shareholder
Chenming Holdings (Hong Kong) Limited	Subsidiary of the Company's largest shareholder
Zhanjiang Chenming Real Estate Co., Ltd.	Subsidiary of the Company's largest shareholder
Qingdao Hongji Weiye Investment Co., Ltd.	Subsidiary of the Company's largest shareholder
Shouguang Hengying Real Estate Co., Ltd.	Subsidiary of the Company's largest shareholder
Shouguang Hengtai Enterprise Investment Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Huixin Construction Materials Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Chenming Guangyuan Real Property Co., Ltd. and its subsidiaries	A company invested by the Directors and senior management of the Company
Qingdao Chenming Nonghai Investment Co., Ltd. and its subsidiaries	A company invested by the Directors and senior management of the Company
Nanchang Chenjian New-style Wall Materials Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Hengde Real Estate Co., Ltd.	A company invested by the Directors and senior management of the Company
Zhejiang Huaming Investment Management Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Directors
Hebei Chenming Zhongjin Real Estate Development Co., Ltd. and its subsidiaries	Directors served by the Company's Supervisors and senior management
Wuhan Chenming Zhongjin Real Estate Co., Ltd. and its subsidiaries	Directors served by the Company's Supervisors
Wuhan Rongsheng Zhongjin Development and Investment Co., Ltd. and its subsidiaries	Directors served by the Company's Supervisors

XII. Related parties and related party transactions (Cont'd)

4. Other related parties (Cont'd)

Name of other related parties	Relation
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Investee of the Company
Lide Technology Co., Ltd.	Investee of the Company
Jiangxi Jiuyu Energy Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Directors in the past twelve months
Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Xueqin, Geng Guanglin, Li Weixian, Li Zhenzhong, Li Feng, Chen Gang, Dong Lianming and Yuan Xikun	Key management personnel

5. Related party transactions

(1) Purchase and sales of goods and rendering and receiving services

Table on purchase of goods/receiving of services

Unit: RMB

Related party	Details of related party transaction	Amount for the reporting period	Transaction facility approved	Whether the Transaction facility is exceeded	Amount for the prior period
Jiangxi Jiuyu Energy Co., Ltd.	Procurement of natural gas and heavy oil, etc.	255,158,150.43	600,000,000.00	No	381,124,206.33
Weifang Xingxing United Chemical Co., Ltd.	Procurement of hydrogen peroxide etc.				80,638,768.49
Lide Technology Co., Ltd.	Service expense	3,240,300.00		No	

Table on sales of goods/providing of services

Unit: RMB

Related party	Details of related party transaction	Amount for the reporting period	Amount for the prior period
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Sales of electricity and steam	8,668,152.00	7,064,454.19
Shouguang Huixin Construction Materials Co., Ltd.	Sales of cement, coal, oil, etc.	4,662,205.59	13,402,439.72

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

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee

The Company as guarantor

Unit: RMB

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Weifang Sime Darby West Port Co., Ltd.	124,800,000.00	2017/12/20	2027/12/20	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	119,405,670.00	2018/4/23	2021/4/7	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	68,511,450.00	2018/5/4	2021/4/6	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	43,064,340.00	2018/5/17	2021/5/5	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	131,150,490.00	2019/4/30	2022/4/22	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	65,249,000.00	2020/6/2	2021/5/30	No
Shandong Chenming Paper Holdings Limited	Hainan Chenming Technology Co., Ltd.	300,000,000.00	2020/12/11	2021/3/10	No
Shandong Chenming Paper Holdings Limited	Hainan Chenming Technology Co., Ltd.	80,000,000.00	2020/12/18	2021/3/17	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	2017/1/5	2021/3/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	2017/1/5	2021/6/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	3,900,000.00	2017/1/5	2021/9/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	36,260,000.00	2017/2/3	2021/9/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017/2/3	2021/12/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017/2/3	2022/3/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	33,420,000.00	2017/2/3	2022/6/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2020/10/22	2021/10/21	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	300,000,000.00	2020/12/23	2021/12/23	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2020/3/23	2021/3/22	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	96,942,436.11	2020/4/14	2021/4/13	No

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/6/9	2021/6/8	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	38,057,563.89	2020/6/19	2021/6/18	No
Shandong Chenming Paper Holdings Limited	Jilin Chenming Paper Co., Ltd.	20,000,000.00	2020/3/16	2021/2/26	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	2019/6/28	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	300,000,000.00	2019/7/1	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	85,000,000.00	2019/10/23	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	114,750,000.00	2019/11/22	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	26,800,000.00	2020/2/14	2021/2/13	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	60,000,000.00	2020/2/24	2021/2/23	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	99,000,000.00	2020/3/3	2021/3/2	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	49,500,000.00	2020/3/19	2021/3/19	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2020/3/20	2021/3/19	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	90,000,000.00	2020/3/27	2021/3/26	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2020/4/10	2021/4/9	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2020/4/15	2021/4/14	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	2020/5/27	2021/5/26	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	13,433,306.20	2020/9/4	2021/3/3	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	24,403,126.00	2020/10/29	2021/4/14	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	11,648,409.40	2020/12/7	2021/6/5	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2020/12/18	2021/12/17	No

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	25,000,000.00	2020/12/21	2021/5/28	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	253,272,043.36	2020/3/9	2021/3/4	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	60,000,000.00	2020/3/31	2021/1/22	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	420,456,575.63	2020/5/6	2021/5/2	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2020/6/10	2021/6/7	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	270,000,000.00	2020/6/16	2021/1/22	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2020/7/15	2021/7/12	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd.	5,000,000.00	2020/5/11	2021/5/10	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2020/12/23	2021/12/23	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	124,976,460.75	2020/7/9	2021/7/9	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	124,663,481.19	2020/9/22	2021/3/22	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	100,000,000.00	2020/9/29	2021/9/29	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	132,277,786.95	2020/12/7	2021/6/5	No
Shandong Chenming Paper Holdings Limited	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	30,000,000.00	2020/8/6	2021/6/23	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2019/7/12	2021/7/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	140,000,000.00	2019/12/4	2021/12/3	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	645,965,100.00	2019/12/27	2022/12/27	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/1/14	2021/1/13	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	2020/1/21	2021/1/21	No

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/2/11	2021/2/10	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2020/2/18	2021/2/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/2/19	2021/2/18	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	326,245,000.00	2020/2/26	2021/2/25	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	300,000,000.00	2020/2/29	2021/2/28	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/3/13	2021/3/10	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2020/3/13	2021/3/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	35,234,460.00	2020/3/25	2021/3/24	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/3/25	2021/3/25	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2020/3/27	2021/3/22	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	29,362,050.00	2020/5/21	2021/5/18	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	58,071,610.00	2020/7/1	2021/6/25	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,000,000.00	2020/7/16	2021/1/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/8/6	2021/2/2	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2020/8/14	2021/3/9	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2020/8/18	2021/8/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	89,000,000.00	2020/9/15	2021/9/14	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,600,000.00	2020/9/16	2021/3/15	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	2020/10/16	2021/10/15	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2020/10/16	2023/10/15	No

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2020/10/19	2022/10/13	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/11/4	2021/11/3	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	45,674,300.00	2020/11/5	2021/10/13	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/11/6	2021/5/5	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/11/6	2021/5/5	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	2020/11/11	2023/11/10	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/11/12	2021/11/11	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/11/16	2021/11/15	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	51,500,000.00	2020/11/18	2021/5/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	166,668,000.00	2020/11/18	2021/11/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/12/1	2021/11/30	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	190,989,910.80	2020/12/4	2021/3/4	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2020/12/4	2021/12/3	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/12/10	2023/12/9	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2020/12/18	2021/12/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/12/18	2021/12/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	32,624,500.00	2020/12/24	2021/12/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/12/31	2021/1/4	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	241,967,137.90	2018/8/8	2021/5/25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	241,967,137.90	2018/8/8	2021/5/25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	232,286,440.00	2018/9/4	2021/6/21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	232,286,440.00	2018/9/6	2021/6/21	No

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	97,873,500.00	2019/3/28	2021/6/16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	97,873,500.00	2019/3/28	2022/1/7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	192,060,431.50	2019/4/2	2021/6/10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	192,060,431.50	2019/4/2	2022/1/6	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	127,235,550.00	2019/7/19	2021/6/19	No
Jiangxi Chenming Paper Co., Ltd.	Chenming (HK) Limited	87,132,862.11	2020/3/19	2021/3/9	No
Jiangxi Chenming Paper Co., Ltd.	Chenming (HK) Limited	7,177,390.00	2020/11/18	2021/3/9	No
Shandong Chenming Financial Leasing Co., Ltd.	Zhanjiang Chenming Pulp & Paper Co., Ltd.	120,000,000.00	2020/8/5	2021/8/5	No
Shanghai Herui Investment Co., Ltd.	Shouguang Meilun Paper Co., Ltd.	200,000,000.00	2020/12/4	2022/6/27	No
Shanghai Herui Investment Co., Ltd.	Shouguang Meilun Paper Co., Ltd.	424,000,000.00	2020/12/4	2023/10/30	No
Shanghai Herui Investment Co., Ltd.	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	6,000,000.00	2020/12/4	2023/10/30	No
Shanghai Herui Investment Co., Ltd.	Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2020/12/4	2023/10/30	No
Total		12,811,497,891.19			

(3) Related party lending and borrowing

Unit: RMB

Related party	Borrowing amount	Starting date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	660,300,000.00	1 January 2020	31 December 2020	
Guangdong Nanyue Bank Co., Ltd.	1,316,664,000.00	18 September 2020	28 December 2021	
Lending				
Shouguang Meite Environmental Technology Co., Ltd.	16,307,200.00	29 June 2020	24 December 2024	

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(4) Interests of related party lending and borrowing

Unit: RMB

Related party	Details of related party transaction	Amount during the year	Amount during the prior year
Weifang Sime Darby West Port Co., Ltd.	Interest income	4,019,600.00	4,052,621.83
Shouguang Meite Environmental Technology Co., Ltd.	Interest income	341,680.26	
Guangdong Nanyue Bank Co., Ltd.	Interest expenses	96,774,311.73	
Chenming Holdings Co., Ltd.	Interest expenses	7,563,200.00	27,905,072.21

(5) Remuneration of key management staff

Unit: RMB' 0,000

Item	Amount during the year	Amount during the prior year
Remuneration of key management staff	3,067.34	3,057.25

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(6) Other related party transactions

① Distribution band of remuneration of key management staff

Band of annual remuneration	Amount during the year (RMB' 0,000)	Amount during the prior year (RMB' 0,000)
Total	3,067.34	3,057.25
Of which: (number of staff in each band of amount)		
RMB4.80-5.20 million	2	2
RMB3.60-4.00 million		
RMB3.20-3.60 million	1	
RMB2.80-3.20 million	3	1
RMB2.40-2.80 million	0	1
RMB2.00-2.40 million	0	2
RMB1.60-2.00 million	1	3
RMB1.20-1.60 million	2	
RMB0.80-1.20 million		2
Below RMB0.80 million	14	21

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(6) Other related party transactions (Cont'd)

② Breakdown of remuneration of key management staff

Key management staff	Amount during the year (RMB' 0,000)			Total (RMB' 0,000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Yin Meiqun	20.00			20.00
Yang Biao	20.00			20.00
Sun Jianfei	20.00			20.00
Sub-total of independent non-executive Directors				
Directors	60.00			60.00
Li Chuanxuan	20.00			20.00
Han Tingde	20.00			20.00
Sub-total of non-executive Directors	40.00			40.00
Chen Hongguo	492.22	5.43	1.35	499.00
Hu Changqing	294.73	3.06	2.21	300.00
Li Xingchun	480.00			480.00
Li Feng	328.82	5.43	1.35	335.60
Sub-total of executive Directors	1,595.77	13.92	4.91	1,614.60
Li Kang	57.32	5.43	1.35	64.10
Pan Ailing	10.00			10.00
Zhang Hong	10.00			10.00
Li Xinggui	15.58	3.84	0.88	20.30
Qiu Lanju	58.88	4.25	0.97	64.10
Total of Supervisor	151.78	13.52	3.20	168.50
Sub-total of other senior management members	1,142.84	32.88	8.52	1,184.24
Total	2,990.39	60.32	16.63	3,067.34

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(6) Other related party transactions (Cont'd)

② Breakdown of remuneration of key management staff (Cont'd)

Key management staff	Amount during the prior year (RMB'0,000)			Total (RMB'0,000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Yin Meiqun	11.67			11.67
Yang Biao	11.67			11.67
Sun Jianfe	11.67			11.67
Pan Ailing	11.20			11.20
Huang Le	5.37			5.37
Liang Fu	5.37			5.37
Wang Fengrong	5.37			5.37
Sub-total of independent non-executive Directors	62.32			62.32
Li Chuanxuan	11.67			11.67
Han Tingde	11.67			11.67
Yang Guihua	5.37			5.37
Zhang Hong	11.20			11.20
Sub-total of non-executive Directors	39.91			39.91
Chen Hongguo	488.20	7.1	3.7	499.00
Hu Zhangqing	288.90	11.10	3.90	303.90
Li Xingchun	499.00			499.00
Geng Guanglin	151.60	7.10	3.70	162.40
Li Feng	176.00	7.10	3.70	186.80
Chen Gang	86.70	6.50	3.50	96.70
Sub-total of executive Directors	1690.40	38.90	18.50	1747.80
Pan Ailing	Reflected in the aforementioned independent non-executive Directors			
Zhang Hong	Reflected in the aforementioned non-executive Directors			
Li Xinggui	17.10	5.30	2.00	24.40
Qiu Lanju	20.70	4.20	2.00	26.90
Li Dong	0			0
Sun Yinghua	7.30	3.60	2.50	13.40
Zhang Xiaofeng	1.12			1.12
Total of Supervisor	46.22	13.10	6.50	65.82
Sub-total of other senior management members	1,068.90	45.20	27.30	1,141.40
Total	2,907.75	97.20	52.30	3,057.25

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(6) Other related party transactions (Cont'd)

- ③ The 5 highest paid individuals of the Company during the year comprised of 4 directors and 1 other senior management member of the Company. The remuneration band of the 1 senior management member was RMB2.40-2.80 million.

A. Remuneration of the five highest paid individuals

Item	Amounts during the year (in ten thousand RMB)	Amounts during the prior year (in ten thousand RMB)
Basic annual remuneration	1,887.99	1,751.10
Provident fund	6.26	15.00
Social welfare contribution	19.35	32.40
Total	1,913.60	1,798.50

B. Distribution band of remuneration of the five highest paid individuals

Band of annual remuneration	Number of individuals during the year	Number of individuals during the prior year
RMB4.80-5.20 million	2	2
RMB3.20-3.60 million	1	
RMB2.80-3.20 million	2	1
RMB2.40-2.80 million	0	1
RMB2.00-2.40 million		1
RMB1.60-2.00 million		
RMB1.20-1.60 million		

- ④ For the financial year ended 31 December 2020, no other bonuses, which are discretionary or are based on the Company's, the Group's or any member of the Group's performance, were paid to or receivable by the five highest paid individuals, and no other emoluments were paid by the Company to the directors of the Company and the 5 highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived any emoluments during the year.

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt	Book balance	Bad debt
Prepayments	Shouguang Hengyuan Energy Co., Ltd.	6,829,643.97		20,179,937.87	
Other receivables	Shouguang Hengyuan Energy Co., Ltd.			10,000,000.00	757,910.97
Accounts receivable	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	2,000,017.96	87,306.27	2,008,185.60	61,132.76
Prepayments	Jiangxi Jiuyu Energy Co., Ltd.	9,354,736.54		15,358,225.83	
Other receivables	Weifang Sime Darby West Port Co., Ltd.	68,476,127.98	19,038,071.06	64,889,583.26	5,151,661.58
Other receivables	Shouguang Meite Environmental Technology Co., Ltd.	16,307,200.00	70,132.59		

(2) Accounts payable

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Weifang Xingxing United Chemical Co., Ltd.	26,905,494.34	26,905,494.34
Other payables	Chenming Holdings Co., Ltd.		708,440,865.27
Other payables	Weifang Xingxing United Chemical Co., Ltd.	16,860,000.00	
Accounts payable	Jiangxi Jiuyu Energy Co., Ltd.	2,141,855.60	3,054,956.65
Other non-current liabilities	Guangdong Nanyue Bank Co., Ltd.	400,000,000.00	400,000,000.00

XIII Financial Report

XII. Related parties and related party transactions (Cont'd)

6. Related party accounts receivable and accounts payable (Cont'd)

(3) Deposits with related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Bank deposit	Guangdong Nanyue Bank Co., Ltd.	655,073,601.28	85,668.46
Other monetary funds	Guangdong Nanyue Bank Co., Ltd.	724,668,000.00	2,414,668,000.00

(4) Loans from related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	1,716,664,600.00	2,948,970,000.00

XIII. Share-based payment

1. General information of share-based payment

☒ Applicable ☐ Not applicable

Unit: RMB

Total equity instruments of the Company granted during the period	79,600,000.00
Total exercised equity instruments of the Company during the period	0.00
Total invalid equity instruments of the Company during the period	0.00

XIII Financial Report

XIII. Share-based payment (Cont'd)

2. Equity-settled share-based payment

☒ Applicable ☐ Not applicable

Unit: RMB

The method of determining the fair value of equity instrument on the grant date	Ex-right price of grant of share
Basis for determining the quantity of exercisable equity instruments	See explanation for details
Reasons for significant difference between the current estimate and previous estimate	None
Accumulated amount of equity-settled share-based payment included in the capital reserve	32,486,925.23
Total amount of equity-settled share-based payment recognised in the current period	32,486,925.23

Other explanation

On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company. It is determined that the grant date would be 29 May 2020, and the fair value of the restricted shares was the ex-rights price of the shares on the grant date. The Restricted Shares to be granted under the Incentive Scheme were “granted once and unlocked in batches”. For the period commencing from the first trading day after expiry of the 24-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed, 40% of the Restricted Shares will be unlocked; for the period commencing from the first trading day after expiry of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed, 30% of the Restricted Shares will be unlocked; for the period commencing from the first trading day after expiry of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 60-month period from the date on which the registration of the grant of the Restricted Shares is completed, 30% of the Restricted Shares will be unlocked. Meanwhile, during the three accounting years from 2021 to 2023, the Restricted Shares granted under the Incentive Scheme shall be subject to annual performance appraisal for unlocking. (for details of specific performance evaluation conditions, please refer to the announcement of the Company). At each balance sheet date during the vesting period, the Company, based on the latest information such as the latest update on the change in the number of entitled employees, will make best estimates to adjust the expected number of equity instruments that can be vested. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

XIII Financial Report

XIV. Undertaking and contingency

1. Significant commitments

(1) Capital commitment

Unit: RMB

Capital commitments contracted for but not yet necessary to be recognised on the balance sheet	Closing balance	Opening balance
Commitments in relation to acquisition and construction of long-term assets	236,106,766.83	260,421,348.84

2. Contingency

(1) Significant contingency as at the balance sheet date

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

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

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

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

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

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

Relevant appeal hearing of the Group on 15 July 2017 was completed in the Hong Kong High Court Appeal Court on the morning of 11 May 2018. At the end of the hearing, the court had instructed that another sentence be adjudicated.

On 5 August 2020, the Court of Appeal of the High Court of Hong Kong made a judgment and rejected our Company’s appeal request. The Company is seeking ways to re-appeal to protect the legal rights and interests of the Company and investors. However, as of 31 December 2020, the estimated loss was still uncertain. Therefore, the estimated liability must still be listed in the balance sheet.

As of 31 December 2020, the Group had no other contingencies that should be disclosed.

XIII Financial Report

XV. Post-balance sheet event

1. Significant non-adjusting events

Unit: RMB

Item	Content	Effect to financial positions and operating results	Reason for not reliably estimated
Redemption of Preference Shares	Redemption of the first tranche of Preference Shares	Reduction of other equity instruments by RMB2,238.75 million and reduction of capital reserves by RMB11.25 million	
Conversion of B shares to H shares	Conversion of B shares in issue to H shares	No impact on financial position and operating results of the Company	

2. Profit distribution

Unit: RMB

Profits or dividends declared upon consideration and approval 661,044,485.66

3. Description of other events after the balance sheet date

As of 25 March, 2021, the Group has no other events that should be disclosed after the balance sheet date.

XVI. Other material matters

1. Segment information

(1) Basis for determination and accounting policies

According to the Group's internal organisational structure, management requirements and internal reporting system, the Group's operating business is divided into 5 reporting segments. These report segments are determined based on the financial information required by the company's daily internal management. The management of the Group regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The Group's reporting segments include:

- (1) Machine paper segment, which is responsible for production and sales of machine paper;
- (2) Financial services segment, which provides financial services;
- (3) Investment real estate segment, which is responsible for property rental;
- (4) Other segments, which is responsible for the above segments otherwise.

Segment report information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. These accounting policies and measurement basis are consistent with the accounting policies and measurement basis used in preparing the financial statements.

XIII Financial Report

XVI. Other material matters (Cont'd)

1. Segment information (Cont'd)

(2) Financial Information of Reporting Segment

Unit: RMB

Item	Machine-made paper	Financial Services	Investment real estate	Others	Inter-segment offset	Total
Revenue	29,206,314,400.24	1,303,678,561.03	151,740,341.85	1,031,966,112.04	957,181,418.26	30,736,517,996.90
Of which: revenue from external transactions	29,021,523,071.50	964,291,738.17	106,560,951.52	644,142,235.71	–	30,736,517,996.90
Revenue from inter-segment transactions	184,791,328.74	339,386,822.86	45,179,390.33	387,823,876.33	957,181,418.26	–
Of which: Revenue from principal activities	28,594,757,850.60	1,296,660,729.91	112,314,230.97	1,010,794,035.98	967,268,762.49	30,047,258,084.97
Operating costs	22,470,534,868.13	814,315,100.61	148,685,628.57	886,839,688.41	674,781,099.51	23,645,594,186.21
Of which: Costs of principal activities	21,844,528,171.28	809,063,515.98	148,685,628.57	880,444,724.37	636,013,221.48	23,046,708,818.72
Operating expenses	284,006,730.90	3,323,648.60	3,882,243.08	28,268,491.44	21,234,758.11	298,246,355.91
Operating profit/(loss)	3,892,491,894.59	305,864,065.35	-235,657,128.38	53,729,771.94	2,431,707,113.42	1,584,721,490.08
Total assets	85,124,126,091.25	20,946,044,723.43	6,523,946,950.46	7,476,608,772.00	28,495,268,708.52	91,575,457,828.62
Total liabilities	61,104,154,700.00	12,593,437,439.88	4,242,547,284.17	3,226,363,801.40	15,391,309,112.07	65,775,194,113.38

2. Government grants

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

Unit: RMB

Item of subsidies	Type	Closing balance	New subsidy amount for the period	Amount transferred to profit or loss for the period	Other movements	Closing balance	Presentable items transferred to profit or loss	Asset-related/revenue-related
Project Funding for National Key Technology Research and Development Program	Financial appropriation	1,452,525.00		164,700.00		1,287,825.00	Other income	Asset-related
Sewage treatment and water conservation transformation project	Financial appropriation	63,274,136.71		3,673,020.38		59,601,116.33	Other income	Asset-related
Huanggang forestry-pulp-paper project	Financial appropriation	681,564,072.66		28,398,506.40		653,165,566.26	Other income	Asset-related
Zhanjiang forestry-pulp-paper project	Financial appropriation	67,047,201.50		12,145,971.39		54,901,230.11	Other income	Asset-related
Industrial logistics park reconstruction compensation	Financial appropriation	51,960,000.00			51,960,000.00		Investment income	Asset-related
Financial subsidies for technical transformation project	Financial appropriation	168,182,448.80		12,496,307.72		155,686,141.08	Other income	Asset-related
Funding for environmental protection	Financial appropriation	700,228,305.19	27,420,000.00	50,008,737.63		677,639,567.56	Other income	Asset-related
Others	Financial appropriation	37,304,645.25		1,589,455.08		35,715,190.17	Other income	Asset-related
Total		1,771,013,335.11	27,420,000.00	108,476,698.60	51,960,000.00	1,637,996,636.51		

XIII Financial Report

XVI. Other material matters (Cont'd)

2. Government grants (Cont'd)

(2) Government subsidies calculated into the current profit and loss using the total method

Unit: RMB

Subsidy Item	Type	Amount credited to profit or loss for the prior period	Amount credited to profit or loss for the period	Presentable items included in profit or loss	Asset-related/revenue-related
Project Funding for National Key Technology Research and Development Program	Financial appropriation	164,700.00	164,700.00	Other income	Asset-related
Environmental Monitoring and Monitoring Capability Improvement Subsidies	Financial appropriation		20,000.00	Non-operating income	Revenue-related
Provincial manufacturing individual championship subsidy	Financial appropriation		800,000.00	Non-operating income	Revenue-related
Sewage treatment and water conservation transformation project	Financial appropriation	1,192,682.88	1,192,682.88	Other income	Asset-related
Zhanjiang forestry-pulp-paper project	Financial appropriation	4,094,632.92	12,145,971.39	Other income	Asset-related
Industrial logistics park reconstruction compensation	Financial appropriation	4,705,900.00		Other income	Revenue-related
Enterprise reform and development subsidies	Financial appropriation	31,070,010.00	107,578,937.51	Other income and non-operating income	Revenue-related
Financial subsidies for technical transformation project	Financial appropriation	110,054,807.72	101,984,107.72	Other income	Asset-related and revenue-related
Funding for environmental protection	Financial appropriation	49,361,843.85	72,505,645.88	Other income	Asset-related
Huanggang pulp-forestry-paper project	Financial appropriation		7,543,321.53	Other revenue	Asset-related
Research and development grants	Financial appropriation	74,923,512.88	564,000.00	Other income	Revenue-related
Enterprise technology innovation subsidies	Financial appropriation		100,000.00	Other income	Revenue-related
Immediate VAT refund	Financial appropriation	1,217,058.15	1,846,849.03	Other income	Revenue-related
Subsidies for foreign trade projects	Financial appropriation		211,200.00	Other income	Revenue-related
Leading talent subsidy	Financial appropriation		400,000.00	Non-operating income	Revenue-related
Equipment technology subsidies	Financial appropriation		115,400.00	Other income	Revenue-related
Investment promotion subsidy	Financial appropriation	41,542,500.00	6,306,806.25	Other income and non-operating income	Revenue-related
Job stabilisation subsidy	Financial appropriation		4,856,411.21	Other income and non-operating income	Revenue-related
Social security subsidies	Financial appropriation		486,607.82	Other income and non-operating income	Revenue-related
R&D subsidy	Financial appropriation		2,469,900.00	Other income	Revenue-related
Financing subsidy	Financial appropriation		130,000.00	Other income	Revenue-related
Tax return	Financial appropriation	80,382,428.92	71,675,835.40	Other income	Revenue-related
Government awards	Financial appropriation	228,000,000.00		Other income	Revenue-related
Financial discount	Financial appropriation	22,364,612.22	3,753,300.60	Finance expenses	Revenue-related
Pandemic subsidy	Financial appropriation		1,495,150.00	Other income and non-operating income	Revenue-related
Afforestation subsidy	Financial appropriation	3,891,820.00	6,316,370.50	Other income	Revenue-related
Others	Financial appropriation	17,307,907.75	540,115,190.13	Other income and non-operating income	Revenue-related
Total		670,274,417.29	944,778,387.85		

XIII Financial Report

XVI. Other material matters (Cont'd)

3. Net Current Assets and Total Assets less Current Liabilities

(1) Net current assets

Unit: RMB' 0,000

	Closing balance	Opening balance
Current assets	3,588,225.01	4,495,243.39
Less: Current liabilities	5,104,623.47	5,269,876.89
Net current assets	-1,516,398.46	-774,633.50

(2) Total assets less current liabilities

Unit: RMB' 0,000

	Closing balance	Opening balance
Total assets	9,157,545.78	9,795,890.99
Less: Current liabilities	5,104,623.47	5,269,876.89
Total assets less current liabilities	4,052,922.31	4,526,014.10

XIII Financial Report

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

1. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Type	Book balance		Closing balance		Carrying value	Book balance		Opening Balance		Carrying value
	Amount	Percentage	Bad debt provision Amount	ECL rate		Amount	Percentage	Bad debt provision Amount	ECL rate	
Accounts receivable assessed individually for impairment						778,063.57	1.73%	778,063.57	100.00%	
Of which:										
Accounts receivable assessed collectively for impairment	698,032,192.53	100.00%	3,195,631.29	0.46%	694,836,561.24	44,083,258.79	98.27%	4,878,588.79	11.07%	39,204,670.00
Of which:										
Accounts receivable from related party customers	692,218,139.26	99.17%			692,218,139.26	31,427,654.36	70.06%	157,138.27	0.50%	31,270,516.09
Accounts receivable from non-related party customers	5,814,053.27	0.83%	3,195,631.29	54.96%	2,618,421.98	12,655,604.43	28.21%	4,721,450.52	37.31%	7,934,153.91
Total	698,032,192.53	100.00%	3,195,631.29	0.46%	694,836,561.24	44,861,322.36	100.00%	5,656,652.36	12.61%	39,204,670.00

XIII Financial Report

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

1. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Accounts receivable assessed collectively for impairment: Accounts receivable from related party customers

Unit: RMB

Ageing	Book balance	Closing balance Bad debt provision	ECL rate
Within 1 year	692,218,139.26		
Total	692,218,139.26	---	

Accounts receivable assessed collectively for impairment: Accounts receivable from non-related party customers

Unit: RMB

Ageing	Book balance	Closing balance Bad debt provision	Percentage
Within 1 year	2,811,232.10	192,810.12	6.86%
1-2 years			
2-3 years			
Over 3 years	3,002,821.17	3,002,821.17	100.00%
Total	5,814,053.27	3,195,631.29	54.96%

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs, please disclose the information about bad debt provision with reference to the way of disclosure of other receivables:

☒ Applicable ☐ Not applicable

By ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year	695,029,371.36	40,358,501.19
1 to 2 years		
2 to 3 years		
Over 3 years	3,002,821.17	4,502,821.17
Subtotal	698,032,192.53	44,861,322.36

XIII Financial Report

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

1. Accounts receivable (Cont'd)

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

Provision of bad debt provision for the period:

Unit: RMB

Category	Opening balance	Closing balance	Changes in the period		Write-off	Others
			Provision	Recovery or reversal		
Bad debt provision	5,656,652.36	5,516,556.84	7,977,577.91			3,195,631.29
Total	5,656,652.36	5,516,556.84	7,977,577.91			3,195,631.29

(3) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the period was RMB696,640,739.26, which accounted for 99.80% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB3,106,147.59.

2. Bill receivable

Unit: RMB

Bill type	Book balance	Closing balance		Book value	Book balance	Open balance		Book value
		Bad debt provision				Bad debt provision		
Bank acceptance bill	553,050,000.00			553,050,000.00	2,230,000,000.00			2,230,000,000.00
Commercial acceptance draft	917,670,000.00			917,670,000.00	1,024,460,000.00			1,024,460,000.00
Total	1,470,720,000.00			1,470,720,000.00	3,254,460,000.00			3,254,460,000.00

XIII Financial Report

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

2. Bill receivable (Cont'd)

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

Unit: RMB

Type	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance bill		553,000,000.00
Commercial acceptance draft		917,670,000.00
Total		1,470,670,000.00

3. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividend receivables	200,000,000.00	
Other receivables	10,437,425,503.02	13,975,590,537.58
Total	10,637,425,503.02	13,975,590,537.58

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Shandong Chenming Group Finance Co., Ltd.	200,000,000.00	
Total	200,000,000.00	

XIII Financial Report

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

3. Other receivables (Cont'd)

(2) Other receivables

1) Other payables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	10,482,693,848.05	14,082,545,251.05
Guarantee deposit	7,421,297.60	5,454,233.36
Advances		526,752.62
Insurance premium	291,708.31	13,979.13
Reserve and borrowings	6,971,976.60	8,089,922.34
Others	95,539,178.66	74,361,611.85
Total	10,592,918,009.22	14,170,991,750.35

2) Particulars of bad debt provision

Closing bad debt provision at phase 1:

Unit: RMB

Category	Book balance	Expected credit loss rate (%) for the next 12 months	Bad debt provision	Carrying amount	Reason
Bad debt provision assessed individually					
Interests receivable					
Dividends receivable					
Bad debt provision assessed collectively	10,527,835,552.61	0.86%	90,410,049.59	10,437,425,503.02	
Amount due from government agencies	15,283,836.32	99.72%	15,241,735.75	42,100.57	
Amount due from related parties	9,987,186,523.95	0.19%	19,038,071.05	9,968,148,452.90	
Other receivables	525,365,192.34	10.68%	56,130,242.79	469,234,949.55	
Total	10,527,835,552.61	0.86%	90,410,049.59	10,437,425,503.02	

XIII Financial Report

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

3. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision (Cont'd)

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

Unit: RMB

Category	Book balance	Expected credit loss rate (%) for the next 12 months	Bad debt provision	Carrying amount	Reason
Shouguang Paper Mill No.2	1,500,000.00	100.00%	1,500,000.00		Overdue for a prolonged period and unlikely to be recovered.
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	1,290,901.12	100.00%	1,290,901.12		Overdue for a prolonged period and unlikely to be recovered.
71 entities including Qingdao Jieneng Qilunji Group Co., Ltd. (青島捷能汽輪機集團股份有限公司)	62,291,555.49	100.00%	62,291,555.49		Recovery subject to uncertainties
Total	65,082,456.61	100.00%	65,082,456.61		

Changes in carrying book balances with significant changes in loss provision for the period

☐ Applicable ☒ Not applicable

Disclosed by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	10,315,335,710.07	10,816,421,382.30
1-2 years	190,920,767.76	3,307,579,124.71
2-3 years	40,248,068.73	6,172,674.00
Over 3 years	46,413,462.66	40,818,569.34
Total	10,592,918,009.22	14,170,991,750.35

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

3. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period Recovery or reversal	Written off	Others	Closing balance
Bad debt provision	195,401,212.77	37,652,222.16	77,560,928.73			155,492,506.20
Total	195,401,212.77	37,652,222.16	77,560,928.73			155,492,506.20

4) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the period was RMB6,707,802,935.77, which accounted for 63.32% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB0.00.

XIII Financial Report

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

4. Long-term equity investments

Unit: RMB

Item	Closing balance		Book value	Opening balance		Book value
	Book balance	Impairment provision		Book balance	Impairment provision	
Investment in subsidiaries	21,845,592,649.90		21,845,592,649.90	23,275,652,649.90		23,275,652,649.90
Investment in joint ventures and associates	352,509,931.98	5,994,545.96	346,515,386.02	360,122,213.93	5,994,545.96	354,127,667.97
Total	22,198,102,581.88	5,994,545.96	22,192,108,035.92	23,635,774,863.83	5,994,545.96	23,629,780,317.87

(1) Investment in subsidiaries

Unit: RMB

Investee	Change for the period					Closing balance (Book value)	Closing balance of impairment provision
	Opening balance (Book value)	Additional contribution	Withdrawn contribution	Impairment provision	Others		
Chenming Paper Korea Co., Ltd.	6,143,400.00					6,143,400.00	
Chenming GmbH	4,083,235.00					4,083,235.00	
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	1,000,000.00		1,000,000.00				
Hailaer Chenming Paper Co., Ltd.	12,000,000.00					12,000,000.00	
Huanggang Chenming Pulp & Paper Co., Ltd.	2,250,000,000.00	50,000,000.00				2,300,000,000.00	
Huanggang Chenming Arboriculture Development Co., Ltd.	70,000,000.00					70,000,000.00	
Jilin Chenming Paper Co., Ltd.	1,501,350,000.00		1,501,350,000.00				
Jinan Chenming Investment Management Co., Ltd.	100,000,000.00					100,000,000.00	
Jiangxi Chenming Paper Co., Ltd.	822,867,646.40					822,867,646.40	
Shandong Chenming Power Supply Holdings Co., Ltd.	157,810,117.43					157,810,117.43	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	264,493,210.21					264,493,210.21	
Shandong Grand View Hotel Co., Ltd.	80,500,000.00					80,500,000.00	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,055,000,000.00	27,500,000.00				5,082,500,000.00	
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00					10,000,000.00	
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80					113,616,063.80	
Shouguang Meilun Paper Co., Ltd.	4,449,441,979.31					4,449,441,979.31	
Shouguang Shun Da Customs Declaration Co, Ltd.	1,500,000.00					1,500,000.00	
Shandong Chenming Paper Sales Co., Ltd.	762,641,208.20					762,641,208.20	
Shouguang Chenming Import and Export Trade Co., Ltd.	250,000,000.00					250,000,000.00	
Shouguang Chenming Papermaking Machine Co., Ltd.	2,000,000.00					2,000,000.00	
Shouguang Chenming Industrial Logistics Co., Ltd.	10,000,000.00		10,000,000.00				
Shouguang Chenming Hongxin Packaging Co., Ltd.	3,730,000.00					3,730,000.00	
Shandong Chenming Group Finance Co., Ltd.	4,000,000,000.00					4,000,000,000.00	
Chenming Arboriculture Co., Ltd.	45,000,000.00					45,000,000.00	
Shanghai Chenming Industry Co., Ltd.	3,000,000,000.00					3,000,000,000.00	
Chenming (HK) Limited	118,067,989.55					118,067,989.55	
Chenming Paper United States Co., Ltd.	6,407,800.00					6,407,800.00	
Shandong Coated Paper Sales Co. Ltd.	20,000,000.00					20,000,000.00	
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	158,000,000.00	4,790,000.00				162,790,000.00	
Total	23,275,652,649.90	82,290,000.00	1,512,350,000.00			21,845,592,649.90	

XIII Financial Report

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

4. Long-term equity investments (Cont'd)

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Opening balance (book value)	Additional contribution	Withdrawn contribution	Change for the period			Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance (book value)	Closing balance of impairment provision
				Investment gain or loss recognised under equity method	Adjustment of other comprehensive income	Other change in equity interest					
I. Associates											
Jiangxi Jiangbao Media Colour Printing Co. Ltd.											
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,412,989.91			-11,330.29						52,401,659.62	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	199,528,847.52			-978,921.25						198,549,926.27	
Chenming (Qingdao) Asset Management Co., Ltd.	8,669,491.17			5,060.01						8,674,551.18	
Xuchang Chenming Paper Co., Ltd.											5,994,545.96
Subtotal	260,611,328.60			-985,191.53						259,626,137.07	5,994,545.96
II. Joint ventures											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	3,789,667.61			2,356,074.42			1,200,000.00			4,945,742.03	
Weifang Sime Darby West Port Co., Ltd.	89,726,671.76			-7,783,164.84						81,943,506.92	
Subtotal	93,516,339.37			-5,427,090.42			1,200,000.00			86,889,248.95	
Total	354,127,667.97			-6,412,281.95			1,200,000.00			346,515,386.02	5,994,545.96

XIII Financial Report

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

5. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	6,881,284,099.00	5,528,211,060.91	5,832,105,007.21	4,489,117,606.27
Other activities	1,628,789,694.88	1,370,949,760.15	1,082,049,793.98	994,302,334.92
Total	8,510,073,793.88	6,899,160,821.06	6,914,154,801.19	5,483,419,941.19

6. Investment income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the cost method	604,220,123.68	1,085,829,000.00
Income from long-term equity investments accounted for using the equity method	-6,412,281.95	-11,142,579.41
Investment gain on disposal of long-term equity investments	-249,714,762.64	277,000,000.00
Investment gain on disposal financial assets measured at fair value through profit or loss		784,345.77
Total	348,093,079.09	1,352,470,766.36

XIII Financial Report

XIX. Supplementary information

1. Breakdown of extraordinary gains or losses for the current period

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets	-51,477,216.37	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	943,720,129.34	
Profit or loss from debt restructuring	-14,942,498.74	
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	21,166,216.02	
Other gain or loss items within the definition of extraordinary gain or loss	8,582,997.62	
Other profit or loss items consistent with the definition of extraordinary items		
Losses from abnormal suspension of operation	-24,567,901.71	
Consumable biological assets subsequently measured at fair value	-13,329,852.55	
Less: Effect of income tax	120,949,832.54	
Effect of minority interest	155,276,771.30	
Total	592,925,269.77	—

The Company defines non-recurring profit and loss according to the definition in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss and classifies non-recurring profit and loss listed in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss as nonrecurring profit and loss, please explain the reason.

☐ Applicable ☒ Not applicable

XIII Financial Report

XIX. Supplementary information (Cont'd)

2. Return on net assets and earnings per share

Profit for the reporting period	Rate of return on net assets on weighted average basis	Earnings per share	
		Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	5.84%	0.36	0.36
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	2.50%	0.15	0.15

When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on Perpetual Bonds of RMB171,776,438.36, the dividends on Preference Shares of RMB387,101,073.42 declared to be distributed and the cash dividends of RMB116,679,908.80 attributable to the shareholders of restricted shares expected to be unlocked in the future among the dividends distributed during the reporting period are deducted.

3. Accounting data difference under accounting standard at home and abroad

(1) Differences of net profit and net assets disclosed in financial reports prepared under IAS and Chinese accounting standards

☐ Applicable ☒ Not applicable

(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

☐ Applicable ☒ Not applicable

XIV Documents Available for Inspection

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

The Board of Shandong Chenming Paper Holdings Limited
25 March 2021



山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED