



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

INTERIM REPORT 2023



* 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 interim report, guarantee that there are no false representations, misleading statements or material omissions contained in the interim 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 interim 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, adjustment of state policy and competition in the industry. Investors should be aware of investment risks. For further details, please refer to the risk exposures of the Company and the measures to be taken to address them as set out in Management Discussion and Analysis.

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

I Important Notice, Table of Contents and Definitions

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I Important Notice, Table of Contents and Definitions

Documents Available for Inspection

- (I) The financial statements signed and sealed by the head of the Company, the head in charge of accounting and the head of the accounting department;
- (II) the interim report signed by the legal representative;
- (III) the original copies of all of the documents and announcements of the Company disclosed on the designated website as approved by the China Securities Regulatory Commission during the reporting period;
- (VI) the interim report disclosed on The Stock Exchange of Hong Kong Limited; and
- (V) other relevant information.

I Important Notice, Table of Contents and Definitions

Definitions

Item		Definition
Company, Group, Chenming Group or Chenming Paper	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Parent Company or Shouguang Headquarters	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
Shandong CSRC	means	Shandong branch of China Securities Regulatory Commission
Zhanjiang Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Jiangxi Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Wuhan Chenming	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
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 Investment	means	Shandong Chenming Investment Limited
Chenming Leasing	means	Shandong Chenming Financial Leasing Co., Ltd. and its subsidiaries
Chenrong Fund	means	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Corporate Bonds	means	18 Chenming Bond 01
Perpetual Bonds	means	17 Lu Chenming MTN001
reporting period	means	the period from 1 January 2023 to 30 June 2023
the beginning of the year or the period	means	1 January 2023
the end of the interim period or the period	means	30 June 2023

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業 晨鳴 B	Stock code	000488 200488
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Stock abbreviation before any changes (if any)	None		
Legal name in Chinese of the Company	山東晨鳴紙業集團有限公司		
Legal short name in Chinese of the Company (if any)	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		

II. Contact persons and contact methods

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

III. Other information

1. Contact methods of the Company

Whether the registered address, office address, postal code, website, email and others of the Company changed during the reporting period

Applicable Not applicable

There was no change of the registered address, office address, postal code, website, email and others of the Company during the reporting period. Please refer to the 2022 annual report for details.

2. Information disclosure and places for inspection

Whether the information disclosure and places for inspection changed during the reporting period

Applicable Not applicable

There was no change of the websites of the stock exchanges and the names and websites of the media where the Company discloses its interim report, and places for inspection of the Company's interim report during the reporting period. Please refer to the 2022 annual report for details.

3. Other relevant information

Whether other relevant information changed during the reporting period

Applicable Not applicable

II Company Profile and Key Financial Indicators

IV. Major accounting data and financial indicators

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

Yes No

	The reporting period	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	12,564,962,781.31	16,676,428,365.83	-24.65%
Net profit attributable to shareholders of the Company (RMB)	-688,080,164.10	230,141,463.76	-398.98%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	-811,839,217.49	173,407,927.13	-568.17%
Net cash flows from operating activities (RMB)	1,783,087,747.59	998,264,209.45	78.62%
Basic earnings per share (RMB per share)	-0.250	0.064	-490.63%
Diluted earnings per share (RMB per share)	-0.250	0.064	-490.63%
Rate of return on weighted average net assets	-4.15%	1.02%	Decrease by 5.17 percentage points
	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Total assets (RMB)	82,652,860,756.58	84,301,017,409.62	-1.96%
Net assets attributable to shareholders of the Company (RMB)	18,287,406,923.90	19,084,565,494.92	-4.18%

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. When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on Perpetual Bonds of RMB44,481,369.86 during the reporting period is deducted.

II Company Profile and Key Financial Indicators

V. 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.

VI. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount	Explanation
Profit or loss from disposal of non-current assets (including write-off of provision for asset impairment)	9,118,027.05	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard in compliance with national policies and regulations) accounted for in profit or loss for the current period	108,155,697.19	
Profit or loss from debt restructuring	-145,995.36	
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading and financial liabilities held for trading, as well as investment gains from disposal of financial assets held for trading, financial liabilities held for trading and financial assets available for sale	-25,565,577.25	
Reversal of provision for impairment of receivables individually tested for impairment	68,586,443.66	
Profit or loss from changes in the fair value of consumable biological assets subsequently measured at fair value	5,749,779.42	
Other non-operating income and expenses other than the above items	443,855.10	
Less: Effect of income tax	39,664,063.42	
Effect of minority interests (after tax)	2,919,113.00	
Total	123,759,053.39	

II Company Profile and Key Financial Indicators

Details of other gain or loss items falling within the definition of extraordinary gain or loss:

Applicable Not applicable

The Company did not have details of other gain or loss items falling within the definition of extraordinary gain or loss.

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

Applicable Not applicable

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

III Management Discussion and Analysis

I. Principal activities of the Company during the Reporting Period

(I) Industry overview

According to the Guidelines for the Industry Classification of Listed Companies (2012 Revision) issued by the CSRC, the industry in which the Company operates is “C22 paper making and paper products industry”.

The paper making industry is an important basic raw material industry closely related to the national economy and social development with sustainable development characteristics. With strong industrial relevance and large market capacity, paper products are widely used in various fields such as cultural communication, people’s life, industry, agriculture, and national defence, involving forestry, agriculture, machinery manufacturing, chemicals, cogeneration, environmental protection and other industries, and having an important pulling effect on the economic activities of upstream and downstream sectors. As a typical midstream manufacturing industry, the paper making industry is characterised as “asset heavy” with “long industrial chain and diverse demand”. The upstream raw material price fluctuation will directly affect the production and operation costs of companies, and leading players have laid out their pulp and paper integration strategies to seize the commanding heights in raw materials and grasp the market initiative. In recent years, with the implementation of policies such as “waste ban” and “dual control of energy intensity and total consumption”, environmental pressure and fierce market competition have resulted in a higher barrier to entry. Paper making companies with economies of scale, forest resources, and capital and technological strength have gradually gained a dominant position in the market, and backward production capacity has been continuously phased out. According to the survey data of China Paper Association, the number of paper and paperboard production enterprises in China decreased to about 2,500 in 2022 from about 3,500 in 2012, and the number of production enterprises with output exceeding 1.00 million tonnes increased to 27 from 14, further raising the industry concentration ratio.

In the first half of 2023, the paper making industry suffered from a weak global economic recovery, great downward pressure on the macroeconomy, and insufficient end user consumption demand resulting from factors such as the Russia-Ukraine conflict and the persistent high inflation pressure in Europe and the United States on the one hand. On the other hand, the paper making industry encountered a trough as pulp and paper production capacity continued to increase, the industry supply pressure remained high, and the supply-demand imbalance suppressed the prices and sales of machine-made paper. According to the data of the National Bureau of Statistics, the total profit of industrial enterprises above designated size in the paper making and paper products industry for the period from January to June 2023 was RMB12.04 billion, down by 44.6% year on year. As the macroeconomic order returned to normal, a series of policies to expand domestic demand and boost consumption took effect, and the downstream demand was going to gradually pick up, the profitability and prosperity of the paper making industry are expected to be restored.

(II) Business overview

The Company has firmly adhered to the general keynote of green, low-carbon, recycling and sustainable development, focused on the pulp and paper making industry development, vigorously implemented the innovation-driven strategy, persisted in the pulp and paper integration strategy, and built three production bases with Shouguang in northern China, Huanggang in central China and Zhanjiang in southern China. At present, the Company has established production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places, with annual pulp and paper production capacity of 11.00 million tonnes, and is the first paper making enterprise in China to realise the capacity balance between pulp production and paper making. During the reporting period, the machine-made paper business was the major income and profit source of the Company, and there were no major changes in its principal activity and business model in terms of procurement, production, marketing and R&D.

In the first half of 2023, affected by the macroeconomic environment, the downstream demand was weak, which led to a significant year-on-year decline in machine-made paper sales and prices. In particular, the continuous decline in the white cardboard prices had a great impact on the Company’s profit. Although the prices of raw and auxiliary materials such as wood pulp, wood chips and energy showed an obvious downward trend during the reporting period, the costs of machine-made paper were still higher than that of the corresponding period of the prior year and the profit margin was squeezed due to the lagging effect of cost improvement. Next, the Company will improve its operation quality and efficiency by adjusting its pulp-paper structure, advancing high value-added product development, improving asset utilisation rate, and consolidating overseas market channels. Meanwhile, with an improving macroeconomic environment and gradually improving downstream demand, the Company will effectively restore its profitability.

III Management Discussion and Analysis

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

(III) Products

As a leading enterprise in the domestic paper industry, the Company attaches great importance to technology research and development and brand benefits, and has the largest and most advanced pulping and papermaking production lines in the world, with machine-made paper products covering more than 200 types in seven series, including culture paper, coated paper, white cardboard, copy paper, industrial paper, special paper and household paper. The Company owns “CHENMING CLOUDY MIRROR”, “CHENMING CLOUDLY LION”, “CHENMING SNOW SHARK”, “CHENMING EAGLE”, “CHENMING GONGHAO”, “XINGZHILIAN” and other famous brands. During the reporting period, “CLOUDY MIRROR” 70g and 80g, and “CLOUDY LEOPARD” electrostatic copy paper of the Company were successfully selected into the 2023 “Made in Shandong • Qilu Quality Goods”, and the brand reputation continued to improve.

Category	Major brands and types	Major production companies	Range of application
Culture paper series	<ol style="list-style-type: none"> 1. “BIYUNTIAN”, “CLOUDY MIRROR”, “CLOUDY LEOPARD” and “YUNJIN” all-wood pulp offset paper and electrostatic base paper 2. “CLOUDY LION” and “CLOUDY CRANE” original white offset paper 3. “CLOUDY PINE” and “GREEN PINE” light weight paper 4. Blueprint paper, colour offset paper, pure texture paper, non-fluorescent offset paper, PE offset paper 5. Beige and high white book paper 6. Light weight coated paper 	Shouguang Headquarters Shouguang Meilun Zhanjiang Chenming Jiangxi Chenming Jilin Chenming	Printing publications, textbooks, magazines, covers, illustrations, notebooks, test papers, teaching materials, reference books, etc.
Coated paper series	<ol style="list-style-type: none"> 1. “SNOW SHARK” and “EAGLE” one-sided coated paper 2. “SNOW SHARK”, “EAGLE” and “RABBIT” double-sided coated paper 3. “EAGLE” and “RABBIT” matte coated paper 	Shouguang Headquarters Shouguang Meilun	Double-sided coated paper is suitable for high quality printing, such as high-grade picture albums, picture, magazines and so on, promotional materials such as interior pages of high-end books, wall calendars, posters and so on, and suitable for suitable for high-speed sheet printing and high-speed rotary printing; One-sided coated paper is suitable for upscale tobacco package paper, adhesive sticker, shopping bags, slipcases, envelopes, gift wrapping and so on, and suitable for large format printing and commercial printing.

III Management Discussion and Analysis

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

(II) Products (Cont'd)

Category	Major brands and types	Major production companies	Range of application
White cardboard series	<ol style="list-style-type: none"> White cardboard of "LIYA" series, white cardboard and ivory cardboard of "LIPIN" and "POPLAR" series, high bulk cardboard and ivory cardboard of "LIZZY" and "BAIYU" series, and super high bulk cardboard of "LIYING" and "BAIYU" series Food package board of "LIYA" and "LIZZY" series Coated cattle card and LIYA book card Playcard paper board Chenming cigarette cardboard 	Shouguang Headquarters Jiangxi Chenming Zhanjiang Chenming	High-end gift boxes, cosmetics boxes, tags, shopping bags, publicity pamphlets, high-end postcards; cigarette package printing of medium and high quality; milk package, beverage package, disposable paper cups, milk tea cups, and noodle bowls.
Copy paper series	"GOLDEN MINGYANG" and "GOLDEN CHENMING" copy paper, "BOYA" and "BIYUNTIAN" copy paper, "MINGYANG", "LUCKY CLOUDS", "BOYANG" and "SHANYIN" copy paper, and "GONGHAO" and "TIANJIAN" copy paper	Shouguang Headquarters Shouguang Meilun Zhanjiang Chenming	Printing and copying business documents, training materials, and writing.
Industrial paper series	High-grade yellow anti-sticking base paper, ordinary yellow/white anti-sticking base paper and PE paper	Shouguang Headquarters Jiangxi Chenming Zhanjiang Chenming	Anti-stick base paper is mainly used for producing the paper base of stripping paper or anti-sticking base paper; Cast coated base paper is suitable for producing adhesive paper or playcard compound paper after coating.
Special paper series	Thermal paper and glassine paper	Shouguang Art Paper	High-grade adhesive backing paper for electronics, medicine, food, washing supplies, supermarket labels, double-sided tapes, etc.
Household paper series	Toilet paper, facial tissue, pocket tissue, napkin, paper towels and "XINGZHILIAN"	Shouguang Meilun	Daily toilet supplies; used in restaurants and other catering industries, and used in public toilets in hotels, guesthouses and office buildings, and also suitable for home and other environment.

III Management Discussion and Analysis

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

As at 30 June 2023, the Group's current ratio was 62.61%. The quick ratio was 49.20%. The gearing ratio (i.e. total liabilities divided by total assets) was 72.28%.

There was no significant seasonal trend for capital requirements of the Group.

The Group's sources of capital primarily came from cash inflow generated from operating activities, and borrowings from financial institutions.

As at 30 June 2023, the total bank borrowings of the Group were RMB41,483 million (as at the end of the prior year: the total bank borrowings and Corporate Bonds of the Group were RMB42,288 million and RMB350 million, respectively). As at 30 June 2023, the Group had monetary funds of RMB13,756 million (as at the end of the prior year: RMB14,000 million) in total (For the breakdown of monetary funds, please refer to X. VII. 1 Note on Monetary Funds in this report).

To strengthen its financial management, the Group established and optimised its strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition. As at 30 June 2023, the Group had 10,364 employees. The total staff remuneration for the first half of 2023 amounted to RMB545.9545 million (The Group had 10,855 employees in 2022. The total staff remuneration for 2022 amounted to RMB1,225.2395 million).

There was no major investment project of the Company during the second half of 2023.

The Company's existing bank deposits were primarily used for production and operation, construction projects and investment in technology research and developments.

For details of the assets with restricted ownership of the Group as at 30 June 2023, please refer to X. VII. 63. Details of assets with restricted ownership or right to use in this report.

III. Analysis of Core Competitiveness

After innovation and development for more than 60 years, the Company has created a strong brand influence and cultivated a solid comprehensive competitiveness. It promotes product upgrades, enhances R&D strength and improves core competitiveness by building a supply chain. The core competitiveness of the Company did not undergo major changes during the reporting period. The details of the core competitiveness of the Company are as follows:

1. Advantages of pulp and paper integration

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

III Management Discussion and Analysis

III. Analysis of Core Competitiveness (Cont'd)

2. Scale advantages

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

3. Product advantages

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

4. Industry layout advantages

Closely centring on the pulp and paper integration strategy, the Company has integrated resources and established its production bases in the core target market to promote the coordinated development of all regions. Currently, the Company adopts the market-oriented approach and has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places. With all products sold at close distances, the Company substantially reduces transportation costs while improving service efficiency, achieving a “win-win” between the Company and its users.

5. Advantages in technical equipment

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

6. Advantages in research and innovation

The Company has scientific research institutions including the national enterprise technology centre, the post-doctoral working station, the state certified CNAS pulp and paper testing centre. At the same time, the Company actively carries out in-depth industry-university-research cooperation with prestigious domestic universities and research institutes, continuously improves technical innovation capabilities and scientific research and development levels, and develops a series of new products with high technology contents and high added value as well as proprietary technologies. The Company and its subsidiaries Zhanjiang Chenming, Shouguang Meilun, Jiangxi Chenming, Jilin Chenming and Huanggang Chenming are high and new technology enterprises. As at the end of the reporting period, the Company had obtained over 400 national patents, including 39 invention patents, 7 national new products, 16 scientific and technological progress awards above the provincial level, 5 national scientific and technological projects, and 70 provincial technological innovation projects. The Company took the lead in obtaining the ISO9001 quality system certification, the ISO14001 environmental protection system certification and the FSC-COC international forest system certification among domestic peers.

III Management Discussion and Analysis

III. Analysis of Core Competitiveness (Cont'd)

7. Team management advantages

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

8. Advantages in environmental governance capacity

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

III Management Discussion and Analysis

IV. Analysis of principal operations

Overview

Please see “I. Principal activities of the Company during the Reporting Period” for relevant information.

Year-on-year changes in major financial information

Unit: RMB

	The reporting period	The corresponding period of the prior year	Increase/ decrease year on year	Reason for the change
Revenue	12,564,962,781.31	16,676,428,365.83	-24.65%	Mainly due to a year-on-year decrease of the sales volumes and selling prices of machine-made paper during the reporting period.
Selling and distribution expenses	106,666,717.54	138,055,763.65	-22.74%	Mainly due to a decrease in sales volume and strict control of expenses by the Company at the same time during the reporting period.
Finance expenses	849,526,920.05	1,021,034,604.66	-16.80%	Mainly due to a year-on-year decrease of the interest-bearing liability size and financing rates during the reporting period.
Investment income	-42,756,726.88	-24,138,176.90	-77.13%	Mainly due to a year-on-year increase of discounted interest on bills included in investment income during the reporting period.
Gains on changes in fair value	-19,815,797.83	-58,813,415.49	66.31%	Mainly due to the change of the shares of China Bohai Bank during the reporting period.
Credit impairment loss	-43,081,750.88	-25,363,341.17	69.86%	Mainly due to a year-on-year increase of provision for bad debts of accounts receivable during the reporting period.
Loss on impairment of assets	-43,314,485.76	1,936,644.09	2336.57%	Mainly due to a year-on-year increase of provision for impairment of finished products during the reporting period.
Income tax expenses	-211,491,182.14	1,378,726.69	-15439.60%	Mainly due to a year-on-year decrease of the total profit realised by the Company during the reporting period.
Net cash flows from operating activities	1,783,087,747.59	998,264,209.45	78.62%	Mainly due to a year-on-year decrease of cash paid by the Company for purchasing goods and accepting labour services during the reporting period.
Net cash flows from investing activities	46,500,863.35	-806,624,723.83	105.76%	Mainly due to a year-on-year decrease of project investments of the Company during the reporting period.
Net cash flows from financing activities	-2,088,182,807.81	-242,119,047.65	-762.46%	Mainly due to the reduction of debts by the Company during the reporting period.

Significant change in structure or source of profit of the Company during the reporting period

Applicable Not applicable

There was no significant change in structure or source of profit of the Company during the reporting period.

III Management Discussion and Analysis

IV. Analysis of principal operations (Cont'd)

Components of revenue

Unit: RMB

	The reporting period		The corresponding period of the prior year		Increase/ decrease year on year
	Amount	% of revenue	Amount	% of revenue	
Total revenue	12,564,962,781.31	100%	16,676,428,365.83	100%	-24.65%

By industry

Machine-made paper	11,300,765,054.86	89.94%	14,440,493,130.31	86.59%	-21.74%
Chemical pulp	240,438,232.65	1.91%	239,810,290.10	1.44%	0.26%
Power and steam	120,561,393.77	0.96%	195,203,273.89	1.17%	-38.24%
Hotel and property rents	109,744,705.55	0.87%	104,267,757.09	0.63%	5.25%
Construction materials	106,371,211.95	0.85%	128,912,692.24	0.77%	-17.49%
Processing of moulds	100,217,749.88	0.80%	147,804,749.38	0.89%	-32.20%
Chemicals	60,607,594.98	0.48%	70,973,693.13	0.43%	-14.61%
Others	526,256,837.67	4.19%	1,348,962,779.69	8.09%	-60.99%

By product

Duplex press paper	3,668,277,002.07	29.19%	3,784,089,225.00	22.69%	-3.06%
White paper board	2,540,842,151.66	20.22%	5,228,447,295.27	31.35%	-51.40%
Electrostatic paper	1,910,330,360.89	15.20%	1,913,990,734.51	11.48%	-0.19%
Coated paper	1,808,743,574.23	14.40%	2,191,460,241.65	13.14%	-17.46%
Anti-sticking raw paper	572,047,556.98	4.55%	512,600,898.29	3.07%	11.60%
Thermal paper	262,227,271.15	2.09%	280,590,566.03	1.68%	-6.54%
Other machine-made paper	538,297,137.88	4.28%	529,314,169.56	3.17%	1.70%
Chemical pulp	240,438,232.65	1.91%	239,810,290.10	1.44%	0.26%
Power and steam	120,561,393.77	0.96%	195,203,273.89	1.17%	-38.24%
Hotel and property rents	109,744,705.55	0.87%	104,267,757.09	0.63%	5.25%
Construction materials	106,371,211.95	0.85%	128,912,692.24	0.77%	-17.49%
Processing of moulds	100,217,749.88	0.80%	147,804,749.38	0.89%	-32.20%
Chemicals	60,607,594.98	0.48%	70,973,693.13	0.43%	-14.61%
Others	526,256,837.67	4.19%	1,348,962,779.69	8.09%	-60.99%

By geographical segment

Mainland China	9,191,090,980.52	73.15%	12,792,521,541.65	76.71%	-28.15%
Other countries and regions	3,373,871,800.79	26.85%	3,883,906,824.18	23.29%	-13.13%

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

√ Applicable □ Not applicable

III Management Discussion and Analysis

IV. Analysis of principal operations (Cont'd)

Components of revenue (Cont'd)

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	11,300,765,054.86	10,388,243,784.40	8.07%	-21.74%	-14.73%	-7.57%
By product						
Duplex press paper	3,668,277,002.07	3,241,144,568.69	11.64%	-3.06%	-4.02%	0.88%
White paper board	2,540,842,151.66	2,617,159,371.91	-3.00%	-51.40%	-39.04%	-20.88%
Electrostatic paper	1,910,330,360.89	1,628,885,600.03	14.73%	-0.19%	4.21%	-3.60%
Coated paper	1,808,743,574.23	1,623,032,059.93	10.27%	-17.46%	-9.38%	-8.00%
By geographical segment						
Mainland China	9,191,090,980.52	8,383,226,340.70	8.79%	-28.15%	-22.65%	-6.49%
Other countries and regions	3,373,871,800.79	3,113,505,321.88	7.72%	-13.13%	-3.21%	-9.45%

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

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

Applicable Not applicable

The revenue from white paper board decreased by 51.40% as compared to the corresponding period of the prior year, and the cost decreased by 39.04% as compared to the corresponding period of the prior year. The main reason was that the sales volume of white paper board decreased and the selling price decreased during the reporting period.

III Management Discussion and Analysis

V. Analysis of non-principal operations

√ Applicable □ Not applicable

Unit: RMB

	Amount	As a percentage of total profit	Reason	Is it sustainable?
Other income	108,155,697.19	-11.94%	Receipt of government grants related to daily business activities	Including RMB82 million which is the annual amortisation amount of government grants received in prior periods, which is sustainable.
Gain or loss arising from the change in fair value	-19,815,797.83	2.19%	Fluctuations of fair values of the shares of China Bohai Bank as well as forestry assets	No
Credit impairment loss	-43,081,750.88	4.75%	Bad debt provisions for receivables	No
Loss on impairment of assets	-43,314,485.76	4.78%	Provisions for impairment of finished products	No

VI. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of the reporting period		As at the end of the prior year		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Accounts receivable	2,946,153,971.11	3.56%	3,212,260,445.96	3.81%	-0.25%	Mainly due to a decrease of the Company's receivables from sales customers as at the end of the reporting period.
Accounts receivable financing	614,794,433.04	0.74%	924,960,384.16	1.10%	-0.36%	Mainly due to a decrease of bills held as at the end of the reporting period.
Short-term borrowings	34,946,527,126.28	42.28%	36,385,048,295.02	43.16%	-0.88%	Mainly due to a decrease of short-term borrowings as at the end of the reporting period as a result of a reduction of the liability size by the Company during the reporting period.
Bills payable	3,530,803,793.61	4.27%	3,128,595,835.04	3.71%	0.56%	Mainly due to an increase of payment for goods with bills by the Company during the reporting period.
Contract liabilities	1,629,061,591.45	1.97%	1,306,029,389.80	1.55%	0.42%	Mainly due to an increase in advance receipts from sales customers as at the end of the reporting period.
Non-current liabilities due within one year	4,152,676,912.29	5.02%	4,673,505,241.86	5.54%	-0.52%	Mainly due to the repayment of Corporate Bonds and long-term borrowings due within one year during the reporting period.
Long-term borrowings	4,895,546,304.36	5.92%	3,982,236,251.08	4.72%	1.20%	Mainly due to the new long-term operating property mortgage loans during the reporting period.
Long-term payables	2,840,065,362.58	3.44%	3,160,771,126.31	3.75%	-0.31%	Mainly due to the transfer of part of equipment financing funds to non-current liabilities due within one year during the reporting period.

III Management Discussion and Analysis

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

2. Major assets overseas

Applicable Not applicable

3. 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	Purchases during the period	Disposal during the period	Other changes	Closing balance
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	74,708,444.88	-24,274,574.29	-145,250,946.56					50,433,870.59
2. Other non-current financial assets	786,750,761.62		62,860,000.00			1,376,301.89		785,374,459.73
3. Consumable biological assets measured at fair value	1,496,607,818.84	5,749,779.42	35,734,776.07		11,591,593.63	21,795,664.43		1,492,153,527.46
Total	2,358,067,025.34	-18,524,794.87	-46,656,170.49		11,591,593.63	23,171,966.32		2,327,961,857.78

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

Yes No

4. 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	11,912,761,370.57	As deposits for bank acceptance bills and letters of credit, security deposits for loans, deposit reserves, interest receivable, etc.
Fixed assets	5,380,577,035.38	As collateral for bank borrowings and long-term payables
Investment property	4,754,893,839.15	As collateral for bank borrowings
Intangible assets	550,003,479.41	As collateral for bank borrowings and long-term payables
Accounts receivables	188,497,651.34	As collateral for borrowings
Total	22,786,733,375.85	

VII. Analysis of Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of the prior year (RMB)	Change
5,400,000.00	10,000,000.00	-46.00%

III Management Discussion and Analysis

VII. Analysis of Investments (Cont'd)

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)
Jiangxi Chenming Port Co., Ltd.	Road transport, cargo handling	Acquisition	5,400,000.00	100.00%	Self-owned funds	Subsidiary	Long term	Transportation, loading and unloading services	Completed	N/A	899,011.43	No	N/A	N/A
Total	-	-	5,400,000.00	-	-	-	-	-	-	-	899,011.43	-	-	-

3. Material non-equity investments during the reporting period

Applicable Not applicable

4. Financial asset investment

(1) Security investments

Applicable Not applicable

Unit: RMB

Type of security	Stock code	Abbreviation of stock name	Initial investment cost	Accounting measurement model	Book value at the beginning of the reporting period	Profit or loss from changes in fair value in the current period	Accumulated changes in fair value included in equity	Purchased amount in the current period	Sold amount in the current period	Profit or loss during the reporting period	Book value at the end of the reporting period	Classification in accounts	Source of fund
Domestic and foreign shares	09688	China Bohai Bank	195,684,817.15	Measured at fair value	74,708,444.88	-24,274,574.29	-145,250,946.56	0.00	0.00	-24,274,574.29	50,433,870.59	Held-for-trading financial assets	Self-owned funds
Total			195,684,817.15	-	74,708,444.88	-24,274,574.29	-145,250,946.56	0.00	0.00	-24,274,574.29	50,433,870.59	-	-
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					N/A								

(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.

III Management Discussion and Analysis

VIII. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

2. Disposal of material equity interest

Applicable Not applicable

IX. Analysis of major subsidiaries and investees

Applicable Not applicable

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

Unit: RMB

Name of company	Type of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of duplex press paper, electrostatic paper, and white paper board	6,713,808,892.00	26,445,170,266.51	8,772,254,750.00	5,372,507,782.65	-37,455,384.15	-40,134,946.90
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper, cultural paper, household paper and chemical pulp	4,801,045,519.00	17,655,736,949.20	8,516,407,225.73	4,453,614,876.18	7,590,470.92	33,639,568.69
Huanggang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of chemical pulp	3,245,000,000.00	9,911,645,261.14	3,397,703,353.46	2,111,536,459.36	-206,502,600.19	-160,294,517.80

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	Effect on overall production and operation and results
Jiangxi Chenming Port Co., Ltd.	Acquisition	Net profit increased by RMB900,000.

Particulars of major subsidiaries and investees

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

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

III Management Discussion and Analysis

X. Structured entities controlled by the Company

Applicable Not applicable

XI. Risk factors of the Company and the measures to be taken

1. Macroeconomic policy risk

As a basic raw material industry, the papermaking industry is supported by the national industrial policy. In recent years, in order to optimise the industrial structure, improve the level of product technology, save energy and reduce emissions and eliminate backward production capacity, the relevant competent authorities have issued a series of relevant policies and regulations such as the Paper Industry Development Policy 《造纸产业发​​展政策》. With the continuous development of China's economy, the paper industry policy in the future may be also further adjusted. In addition, fiscal and financial policies, bank interest rates, and import and export policies may also be adjusted. The adjustment of the above industrial policies and the related policies will affect the operation and development of the Company.

In response to the aforesaid risks, the Company will pay close attention to national industrial policies and focus on the development of pulp and paper industry. Sticking to its innovation-driven strategy, the Company will comprehensively optimise industrial structure and regional layout, and establish coordinated, efficient industry system, thus realising steady growth in operating results. At the same time, the Company will continue to strengthen lean management, broaden financing channels, and control costs, in order to improve its operating quality to cope with risks arising from macroeconomic policy adjustments.

2. Environmental protection risk

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

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

III Management Discussion and Analysis

XI. Risk factors of the Company and the measures to be taken (Cont'd)

3. Risk of price fluctuation of raw materials

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

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

4. Risk of intensifying market competition

Although the papermaking industry has accelerated the elimination of outdated production capacity after several rounds of environmental protection policies, the industry structure has been optimised with a further improved concentration. However, there remains the phenomena of a large number of enterprises, structural and staged overcapacity of some products, a large number of mid- and low-end products, and product homogeneity. In the first half of 2023, affected by the macroeconomic environment, the market demand for machine-made paper weakened, and market competition further intensified.

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

5. Risk of the financial leasing business

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

To this end, Chenming Leasing has comprehensive risk prevention and control measures for the financial leasing business, with strong risk resistance and low risk of default. At present, the Company focuses on the development of its principal activities, i.e. pulp production and paper making, and continues to reduce the size of the financial leasing business. As at the end of the reporting period, the balance of financial leases of Chenming Leasing decreased to RMB5.501 billion. Some financial lease receivables of Chenming Leasing were overdue due to factors such as the weak macroeconomic environment with the overdue principals amounting to RMB1,781 million, for which provisions of RMB689 million were made, and a provision coverage rate of 38.69%. Certain assets have been seized through litigation. The Company had resorted to various collection measures such as control of the underlying assets, litigation for seizure, recovery for guarantors and debt reconstruction with the overall risks under control.

IV Corporate Governance

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

1. General meetings during the reporting period

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

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

Applicable Not applicable

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

Applicable Not applicable

There was no change of Directors, Supervisors and Senior Management of the Company during the reporting period. Please see the 2022 annual report for details.

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

Applicable Not applicable

The Company does not propose distribution of cash dividends and bonus shares, and increase of share capital from reserves for the interim period.

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

Applicable Not applicable

1. Equity incentive

- On 30 March 2020, the Company convened the ninth extraordinary meeting of the ninth session of the Board, at which the Company considered and approved the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary and other resolutions. On the same date, the fourth extraordinary meeting of the ninth session of the Supervisory Committee of the Company considered and approved the above resolutions and verified the list of proposed participants of the incentive scheme. Independent Directors of the Company issued independent opinions on the incentive scheme.

IV Corporate Governance

IV. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company (Cont'd)

1. Equity incentive (Cont'd)

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

96 participants fulfilled the unlocking conditions for the first unlocking period under the 2020 Restricted A Share Incentive Scheme with 29,948,000 restricted shares being eligible for unlocking. 15 participants had resigned, had changed duty, and had removed from office, which failed to comply with the unlocking conditions. The total number of restricted shares that have been granted to and held by the participants and have not yet been unlocked is 4,466,000, representing 5.61% of the total number of restricted shares granted under the 2020 Restricted A Share Incentive Scheme.

7. On 27 July 2022, 29,948,000 restricted A shares that were unlocked were listed for trading.
8. On 9 October 2022, Grant Thornton (Special General Partnership) issued a Capital Verification Report (Zhi Tong Yan Zi (2022) No. 371C000576), in which they verified the change in the registered capital and paid-in capital (share capital) of the Company as of 30 September 2022. Verification result: As of 30 September 2022, the registered capital and paid-in capital (share capital) of the Company upon the change amounted to RMB2,979,742,200.00 and RMB2,979,742,200.00, respectively.
9. On 18 October 2022, the Company completed the procedures for the repurchase and cancellation of 4,466,000 restricted A shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

IV Corporate Governance

IV. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company (Cont'd)

2. Implementation of the employee shareholding plan

Applicable Not applicable

3. Other employee incentive measure

Applicable Not applicable

V. 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 practices through various internal controls. The Board reviews the corporate governance practices of the Company from time to time to enhance the corporate governance standards of the Company. 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 of the Company, the Company was not aware of any information that reasonably suggested that the Directors had not complied with the requirements as stipulated in this code during the reporting period.

V Environmental and Social Responsibility

I. Major environmental protection matters

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

Yes No

Environmental protection related policies and industry standards

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

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

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

Exhaust gas: Integrated Emission Standard of Air Pollutants (GB16297-1996), Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011), Emission Standard for Odor Pollutants (GB14554-93), Emission Standard of Air Pollutants for Boilers (DB44/765-2019), Emission Standard of Air Pollutants for Thermal Power Plants (DB37/664-2019), Regional and Integrated Emission Standard of Air Pollutants (DB37/2376-2019), and Emission Standard of Air Pollutants for Building Materials Industry (DB37/2373-2018).

Wastewater: Integrated Wastewater Discharge Standard (GB8978-1996), Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015), Discharge Standard of Water Pollutants for the Pulp and Paper Industry (GB3544-2008) and Discharge Limits of Water Pollutants (DB44/26-2001), and the wastewater influent standard of local wastewater treatment plants.

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

Environmental protection administrative licensing

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

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

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

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

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

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

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

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

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions	
Shandong Chenming Paper Holdings Limited	Exhaust gas	SO ₂	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 17.4mg/m ³	35mg/m ³	Power plant no. 1: 15.4t	160.32t/year	No	
						Power plant no. 2: 16.7mg/m ³		Power plant no. 2: 15.4t			
		NO _x	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 38.9mg/m ³	50mg/m ³	Power plant no. 1: 34.9t	Power plant no. 2: 35.9t	233.91t/year	No
	Wastewater	Particulates	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 0.811mg/m ³	5mg/m ³	Power plant no. 1: 0.724t	Power plant no. 2: 0.731t	23.39t/year	No
						Power plant no. 2: 0.770mg/m ³		Power plant no. 2: 0.731t			
		COD	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 152mg/L	300mg/L	Sewage outlet no. 1: 553t	Sewage outlet no. 2: 1,240t	6,510.74t/year	No
						Sewage outlet no. 2: 180mg/L		Sewage outlet no. 2: 1,240t			
	Ammonia nitrogen	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 2.77mg/L	30mg/L	Sewage outlet no. 1: 10.3t	Sewage outlet no. 2: 6.00t	650.7t/year	No	
					Sewage outlet no. 2: 0.832mg/L		Sewage outlet no. 2: 6.00t				
	Total nitrogen	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 17.7 mg/L	70mg/L	Sewage outlet no. 1: 63.2t	Sewage outlet no. 2: 103t	1,519.1t/year	No	
Sewage outlet no. 2: 14.5 mg/L						Sewage outlet no. 2: 103t					
Shouguang Meilun Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 18.8mg/m ³	35mg/m ³ (self-owned power plant),	Power plant no. 1: 18.8t	342.89t/year	No	
						Power plant no. 2: 13.4mg/m ³	50mg/m ³ (chemical pulp mill)	Power plant no. 2: 11.6t			
						Alkali recovery: 3.87mg/m ³		Alkali recovery: 20.5t			
	NO _x	Organised emission	4	Chenming Industrial Park	Lime kiln: 4.24mg/m ³	50mg/m ³ (self-owned power plant),	Power plant no. 1: 31.8t	Power plant no. 2: 24t	1,202.75t/year	No	
					Power plant no. 1: 32.4mg/m ³	100mg/m ³ (chemical pulp mill)	Power plant no. 2: 24t				
					Power plant no. 2: 29.7mg/m ³		Alkali recovery: 355t				
	Particulates	Organised emission	4	Chenming Industrial Park	Lime kiln: 17.8mg/m ³	5mg/m ³ (self-owned power plant),	Lime kiln: 14.0t	Power plant no. 2: 1.17t	121.979t/year	No	
					Power plant no. 1: 0.677mg/m ³	10mg/m ³ (chemical pulp mill)	Power plant no. 2: 5.17t				
					Power plant no. 2: 1.53mg/m ³		Lime kiln: 0.71t				
					Lime kiln: 1.24mg/m ³						

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

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

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Jiangxi Chenming Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	1	Thermal power plant	240T/h furnace: 9.17mg/m ³	200mg/m ³	16.4243t	806t/year	No
		NO _x	Organised emission	1	Thermal power plant	240T/h furnace: 25.83mg/m ³	200mg/m ³	32.1654t	806t/year	No
		Particulates	Organised emission	1	Thermal power plant	240T/h furnace: 2.45mg/m ³	30mg/m ³	3.2623t	135t/year	No
	Wastewater	COD	Direct emission	1	Total wastewater discharge	32.58mg/L	90mg/L	192.74t	1,260t/year	No
		Ammonia nitrogen	Direct emission	1	Total wastewater discharge	2.11mg/L	8mg/L	7.6t	112t/year	No
		Total nitrogen	Direct emission	1	Total wastewater discharge	7.07mg/L	12mg/L	17.52t	/	No
Jilin Chenming Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	3 (2 in use, 1 spare)	Within factory area	12.83mg/m ³	100mg/m ³	4.37t	97t/year	No
		NO _x	Organised emission	3 (2 in use, 1 spare)	Within factory area	55.92mg/m ³	100mg/m ³	24.61t	213t/year	No
		Particulates	Organised emission	3 (2 in use, 1 spare)	Within factory area	16.53mg/m ³	30mg/m ³	7.26t	51.66t/year	No
	Wastewater	COD	Indirect emission	1	Total wastewater discharge	121.86mg/L	120mg/L	304.31t	6,000t/year	No
		Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	1.39mg/L	45mg/L	3.52t	500t/year	No
		Total nitrogen	Indirect emission	1	Total wastewater discharge	7.77mg/L	50mg/L	19.47t	/	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Exhaust gas	SO ₂	Organised emission	5	Within factory area	Power plant no. 1: 6.4mg/m ³ Power plant no. 2: 9.28mg/m ³ Power plant no. 3: 5.28mg/m ³ Power plant no. 4: 8.35mg/m ³	1#2#3#4# circulating fluidised bed boilers: 35mg/m ³	26.305t	620t/year	No

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

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

Name of company or subsidiary	Category of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Huanggang Chenming Pulp & Paper Co., Ltd.		NO _x	Organised emission	5	Within factory area	Alkali recovery: 98.43mg/m ³ Power plant no. 1: 10.79mg/m ³ Power plant no. 2: 10.58mg/m ³ Power plant no. 3: 7.38mg/m ³ Power plant no. 4: 9.29mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 50mg/m ³	529.521t	1,800t/year	No
		Particulates	Organised emission	5	Within factory area	Power plant no. 1: 2.01mg/m ³ Power plant no. 2: 0.96mg/m ³ Power plant no. 3: 0.38mg/m ³ Power plant no. 4: 0.57mg/m ³	1#2#3#4# circulating fluidised bed boilers: 10mg/m ³	3.515t	195.06t/year	No
	Wastewater	COD	Direct emission	1	Within factory area	42.66mg/L	90mg/L	457.734t	1,943t/year	No
		Ammonia nitrogen	Direct emission	1	Within factory area	0.7mg/L	8mg/L	7.661t	43.9t/year	No
	Exhaust gas	Total nitrogen	Direct emission	1	Within factory area	4.35mg/L	12mg/L	47.058t	320.4t/year	No
		SO ₂	Organised emission	1	Lime kiln chimney	24.954 mg/m ³	80mg/m ³	9.61t	142.872t/year	No
		SO ₂	Organised emission	1	Alkali furnace chimney	18.336mg/m ³	200mg/m ³	11.96t	328.417t/year	No
		NO _x	Organised emission	1	Lime kiln chimney	111.662mg/m ³	180mg/m ³	67.63t	181.887t/year	No
		NO _x	Organised emission	1	Alkali furnace chimney	158.182 mg/m ³	200mg/m ³	273.26t	950.829t/year	No
		Particulates	Organised emission	1	Lime kiln chimney	44.772 mg/m ³	200mg/m ³	10.35t	45.311t/year	No
		Particulates	Organised emission	1	Alkali furnace chimney	39.449mg/m ³	30mg/m ³	24.88t	83.759t/year	No
	Wastewater	COD	Indirect emission	1	Total wastewater discharge	19.40 mg/L	150mg/L	83.44t	398.911t/year	No
		Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	0.15 mg/L	14mg/L	0.63t	39.891t/year	No
		Total nitrogen	Indirect emission	1	Total wastewater discharge	1.57mg/L	29mg/L	6.83t	/	No

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

Treatment of pollutants

1. Shandong Chenming Paper Holdings Limited

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

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

2. Shouguang Meilun Paper Co., Ltd.

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

3. Jiangxi Chenming Paper Co., Ltd.

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

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

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

Treatment of pollutants (Cont'd)

4. Jilin Chenming Paper Co., Ltd.

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

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

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

Atmospheric pollutant treatment: bag filter dust removal+wet limestone-gypsum desulfurisation+SCR denitration system. Atmospheric pollutant treatment facilities operate normally. In 2023, the average emissions were lower than the emission standards, and the total pollutant emissions were lower than the approved total emissions. In 2023, the total particulate emissions were 3.515 tonnes, which were lower than the standard of 195.06 tonnes/year, the nitrogen oxides were 529.521 tonnes, which were lower than the total 1,800 tonnes/year, and the sulphur dioxide was 26.305 tonnes, which was lower than the total 620 tonnes/year. The discharge was up to the standard.

Water pollutants are treated by physicochemical+biochemical+Fenton treatment methods, and the 86,000-tonne treatment process is: catchment well-conditioning-primary settling-cooling tower-aeration tank-secondary settling tank-Fenton-re-conditioning tank-clarifier. The 30,000-tonne treatment process is: catchment well-primary settling tower – hydrolysis tank-IC tower – aeration tank-secondary settling tank-Fenton-oxidation callback tank-final settling tank. The water treatment process has operated normally. In 2023, the average discharge was: COD at 42.66mg/L, as compared with the discharge standard at 90mg/L, ammonia nitrogen at 0.7mg/L, as compared with the discharge standard at 8mg/L and total nitrogen at 4.35mg/L, as compared with the discharge standard at 12mg/L. All the pollutants were discharged up to the standard.

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

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

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

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

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

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.

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

The Company has always adhered to the concept of “green development, ecological Chenming”, and clung to the development model of “clean production” and resource recycling. A green ecology is incorporated in the whole process of production and operation. The Company has invested more than RMB8 billion in total to construct the pollution treatment facilities including the alkali recovery system, reclaimed water treatment system, reclaimed water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental protection indicators rank high in China. During the reporting period, the Company paid environmental protection tax according to law. The Company’s environmental protection tax mainly results from atmospheric pollutants. According to the Environmental Protection Tax Law of People’s Republic of China and its implementation rules, the pollutants shall be calculated according to the automatic monitoring data of pollutants if automatic pollutant monitoring equipment which complies with national provisions and monitoring standards is installed and used. Taxable atmospheric pollutants are determined according to the pollution equivalent quantity converted from the amount of pollutant discharge. The taxable atmospheric pollutants discharged from each outlet, or where there is no outlet, are to be ranked in decreasing order of pollution equivalent quantity, and environmental taxes are to be levied on the top three pollutants. From January to June 2023, the Company paid environmental protection tax amounting to RMB6.3164 million.

Environmental self-monitoring programme

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

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

Administrative penalties for environmental problems during the reporting period

The Company was not subject to any administrative penalty for environmental problems during the reporting period.

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.

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

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

√ Applicable Not applicable

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

Other environmental protection related information

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

V Environmental and Social Responsibility

II. Social responsibility

During the reporting period, adhering to the philosophy of “Creating high-quality paper products and sincerely repaying the society”, the Company paid attention to the creation of social value while pursuing economic benefits, and took the initiative to assume its social responsibilities to shareholders, employees, customers, suppliers and other stakeholders. The Company strived to practice the concept of green development, so as to promote the high-quality sustainable development of economy, environment and society.

1. Regulate corporate governance and safeguard shareholders’ rights and interests

During the reporting period, the Company regulated its corporate governance in strict accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited and the Articles of Association. The Company adopted a combination of on-site and online voting to convene general meetings, and some Directors, Supervisors and senior management members attended (or were present at) general meetings in a serious and responsible manner to ensure the shareholders of the Company to know, participate in and vote on major issues. The Company held the 2022 annual results briefing and strengthened communication with investors through Shenzhen Stock Exchange’s irm.cninfo.com.cn platform and investor hotline. At the same time, the Company strictly fulfilled its information disclosure obligations. As of the end of the reporting period, the Company disclosed over 110 announcements on Shenzhen Stock Exchange and the Stock Exchange, and ensured the truthfulness, accuracy, completeness, timeliness and fairness of the disclosures, effectively improving the Company’s transparency and safeguarding shareholders’ rights and interests.

2. Insist on people-orientation and focus on employee development

The Company always adheres to the “people-orientation” concept, respects employees’ rights and interests, and actively empowers employees to help their career growth and enhance employees’ satisfaction. During the reporting period, the Company continuously improved its human resources management system. Guided by the employment concept of “eliminating backwardness, rejecting mediocrity and motivating advancement”, the Company gathered innovation strength with talents, optimised its remuneration system and assessment and incentive mechanism, created a clear employee promotion path, built a diversified and personalised training platform, and further improved their post responsibility performance capability. Meanwhile, the Company enhanced employees’ sense of happiness and belonging by actively holding table tennis and badminton competitions, organising summer cooling and other activities, presenting birthday cakes, helping employees in need and improving the dining environment. The Company was recognised as one of the first Weifang Youth Development-friendly Enterprises.

3. Optimise supply management and improve customer service

During the reporting period, the Company adhered to the core values of “honesty win-win and sharing”, constantly improved the supply chain management system, strengthened source procurement, and established long-term cooperation with suppliers to reduce procurement costs while ensuring a stable raw material supply. The Company strengthened the refined customer management, improved the sales management system, optimised the customer complaint handling process, and enhanced customer satisfaction. Meanwhile, guided by market demand, the Company continued to carry out new product development and technical iteration to provide customers with high-standard and high-quality products and services, fully protecting customers’ rights and interests.

4. Adhere to green production to help ecological construction

During the reporting period, the Company adhered to the concept of “green development and ecological Chenming”, intensified its environmental protection work, actively promoted clean production, promoted the equipment and technology upgrading, vigorously implemented energy conservation and emission reduction, constantly explored the mode of innovative resources comprehensive utilisation and industrial recycling development, promoted the construction of photovoltaic power generation projects, and gained new momentum for green development. The Company constantly improved risk management and control measures and hidden danger governance solutions, actively carried out potential safety hazards investigation and rectification, conducted special inspections in confined spaces, ensured dual prevention mechanism normalisation, and effectively built a safety defence. Furthermore, the Company adhered to technological innovation, strengthened Industry-University-Research cooperation to provide the society with “environment-friendly” green products, built an ecological chain of “resources-products-recycled resources” circular economy, and helped construct ecological civilisation.

VI Material Matters

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

√ Applicable □ Not applicable

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

VI Material Matters

I. 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
	Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yin Meiqun, Yang Biao, Li Kang, Qiu Lanju, Sang Ailing, Pan Ailing, Zhang Hong, Li Xueqin, Li Zhenzhong, Li Mingtang, Ge Guangming, Dong Lianming, Yuan Xikun and Chu Hon Leung	Undertaking on the shareholding reduction plan during the asset restructuring	On 12 August 2022, the Company published an announcement on the preliminary disclosure of disposal of shares by certain Directors and Senior Management members, namely Hu Changqing, Li Feng, Li Weixian, Li Zhenzhong, Li Mingtang, Dong Lianming and Yuan Xikun. Due to personal capital needs, the Directors and Senior Management members mentioned above intended to dispose of no more than 3,753,100 shares in total by centralised bidding or bulk transaction within 6 months after 15 trading days from the date of the announcement of disposal of shares. For details, please refer to the relevant announcement of CNINFO (www.cninfo.com.cn). Apart from the plan of disposal of shares by certain Directors and Senior Management members as disclosed above, I have no other plan to dispose of shares from the date of the first disclosure of the reorganisation plan to its completion. This commitment letter is legally binding on me from the date of signing, and I am willing to bear all legal responsibilities for all economic losses, claims and extra expenses caused to Chenming Paper by violating the above commitments.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
	Chenming Holdings Company Limited, Chenming Holdings (Hong Kong) Limited, Shandong Chenming Paper Holdings Limited and their directors, supervisors and senior management (Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yin Meiqun, Yang Biao, Li Kang, Qiu Lanju, Sang Ailing, Pan Ailing, Zhang Hong, Li Xueqin, Li Zhenzhong, Li Mingtang, Ge Guangming, Dong Lianming, Yuan Xikun and Chu Hon Leung)	Commitment letter on no insider trading	1. The company, and its all directors, supervisors and senior management members, as well as the entities controlled by the above-mentioned subjects, have not been placed on file for investigation on suspicion of insider trading related to the transaction. In the last 36 months, there is no case that the CSRC had imposed administrative punishment or the judicial organs had lawfully investigated criminal responsibility for participating in insider trading related to major asset reorganisation, and there has been no case that the above personnel are not allowed to participate in the transaction according to Article 13 of the Guidelines for Supervision of Listed Companies No.7 – Supervision of Abnormal Stock Trading Related to Major Asset Restructuring of Listed Companies. 2. The company and its directors, supervisors and senior management members guarantee to take necessary measures to keep the information and materials involved in the transaction strictly confidential.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VI Material Matters

I. 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 Company Limited	Undertaking to take remedial measures on effects of dilution on the current earnings as a result of the transaction	1. The company undertakes that it will not interfere the ordinary operation of the Company, nor encroach on the interests of the Company, nor compromise the interests of the Company in any other manner; 2. The company undertakes that it will act to restrain duty-related spending by directors and senior management of the Company; 3. The company will ensure the remuneration system formulated by the Board or the Remuneration and Assessment Committee is in line with implementation of the remedial measures for the returns by the Company; 4. The company undertakes that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns if the Company intends to make such share incentive plans in the future; 5. During the period from the date of this undertaking until the date of completion of the transaction, supplementary undertakings will be given in accordance with other new regulations of CSRC concerning remedial measures for returns and related undertakings, if such regulations are announced by CSRC and the foregoing undertakings fall short of meeting such new regulations; 6. The company undertakes that it will practically perform the remedial measures for returns formulated by the Company as well as any undertaking made by the company for such remedial measures. The company will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the undertakings. The company will be liable for relevant legal liabilities to the Company or the investors for their losses in the event of failure to perform the undertakings.	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
	Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Weixian, Han Tingde, Li Chuanxuan, Li Zhihui, Sun Jianfei, Yin Meiqun, Yang Biao, Li Kang, Qiu Lanju, Sang Ailing, Pan Ailing, Zhang Hong, Li Xueqin, Li Zhenzhong, Li Mingtang, Ge Guangming, Dong Lianming, Yuan Xikun and Chu Hon Leung		1. Not to transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; 2. Restrain his/her own duty-related spending; 3. not to use the Company's assets for investments and consumption activities unrelated to the performance of their duties; 4. the remuneration system formulated by the Board or the Remuneration and Assessment Committee is in line with implementation of the remedial measures for the returns by the Company; 5. the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns if the Company intends to make such share incentive plans in the future; 6. during the period from the date of this undertaking until the date of completion of the transaction, supplementary undertakings will be given in accordance with other new regulations of CSRC concerning remedial measures for returns and related undertakings, if such regulations are announced by CSRC and the foregoing undertakings fall short of meeting such new regulations; 7. I will practically perform the remedial measures for returns formulated by the Company as well as any undertaking made by the company for such remedial measures. I will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the undertakings.	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VI Material Matters

I. 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 Company Limited	Undertaking to regulate and reduce related party transactions	Regarding the reduction and avoidance of related party transactions, the following unconditional and irrevocable undertaking are hereby made: 1. The company and the companies controlled by the company will minimise and regulate potential related party transactions with the Company and the companies controlled by the Company; Regarding the related party transactions between the company and other companies controlled by the company and the Company and the companies controlled by the Company that cannot be reduced or have reasonable reasons in the future, the company and other companies controlled by the company will follow the principle of fairness and justice in market transactions, conduct transactions at fair and reasonable market prices, perform related party transaction decision-making procedures in accordance with relevant laws, regulations and normative documents, and perform information disclosure obligations according to law. 2. The company guarantees that the company and other companies controlled by the company will not obtain any illegitimate benefits through related party transactions with the Company and the companies controlled by the Company or make the Company and the companies controlled by the Company bear any improper obligations. 3. The company will urge the company and other companies controlled by the company not to seek special interests through the related relationship with the Company, and not to conduct related party transactions that damage the interests of the Company and its minority shareholders.	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
	Shouguang Meilun, Chenrong Fund	Undertaking to provide true, accurate and complete information	1. The company has provided the Company and the intermediaries serving for the transaction with relevant information and documents of the company (including but not limited to original written materials, duplicate materials or oral testimony). The company guarantees that the copies or photocopies of the documents and materials provided are consistent with the originals, and the signatures and seals of these documents and materials are true, ensures that the relevant information and documents provided for the transaction are true, accurate and complete, and there are no false records, misleading statements or major omissions, and bears individual and joint legal responsibilities for the authenticity, accuracy and completeness of the information provided. 2. During the period of the transaction, the company will disclose the information about the transaction to the Company in a timely manner in accordance with relevant laws, regulations and rules, and the relevant provisions of the CSRC and Shenzhen Stock Exchange, so as to ensure the authenticity, accuracy and completeness of such information and guarantee that there are no false records, misleading statements or major omissions in such information. If the relevant information provided by the company for the transaction does not meet the above requirements and causes losses to the Company and investors, the company will bear individual and joint liability for compensation.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VI Material Matters

I. 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
		Undertaking on absence of insider trading	1. The company, its controlling shareholder, all directors, supervisors and senior management members, and the entities controlled by the abovementioned subjects have not been placed on file for investigation for suspected insider trading related to this transaction. In the last 36 months, there is no case that the CSRC has imposed administrative punishment or the judicial organs have lawfully investigated criminal responsibility for participating in insider trading related to major asset reorganisation, and there is no case that the above personnel are not allowed to participate in the transaction according to Article 13 of the Guidelines for Supervision of Listed Companies No.7 – Supervision of Abnormal Stock Trading Related to Major Asset Restructuring of Listed Companies. 2. The company, its controlling shareholder and its all directors, supervisors and senior management members guarantee to take necessary measures to keep the confidential materials and information involved in the transaction strictly confidential in accordance with the requirements of applicable laws and regulations.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
		Undertaking on compliance and integrity	1. As of the date of this letter of undertaking, the party involved in undertaking and the directors and key management personnel of the party involved in undertaking are not being investigated by the judicial authority for suspected crimes or being investigated by the CSRC for suspected violations of laws and regulations; 2. The party involved in undertaking and the directors and key management personnel of party involved in undertaking have been in good faith in the past five years, and there has been no failure to repay large debts on schedule, fail to fulfill undertakings, or be subject to administrative supervision measures by the CSRC or disciplinary action by the stock exchange; 3. The party involved in undertaking and the directors and key management personnel of the party involved in undertaking have not been subject to administrative punishment (except those obviously irrelevant to the securities market), criminal punishment, or involved in major civil lawsuits or arbitrations related to economic disputes in the past five years. As at the date of this letter of undertaking, there are no pending or foreseeable major lawsuits, arbitrations or administrative punishment cases of the party involved in undertaking and the directors and key management personnel of the party involved in undertaking; 4. The party involved in undertaking has not had any untrustworthy circumstances such as failure to repay large debts on schedule, fail to fulfill undertakings, or be subject to administrative supervision measures by the CSRC or disciplinary action by the stock exchange in the past five years. None of the above situation is currently in the stage of investigation and has not yet formed a conclusion; 5. Directors and key management personnel of the party involved in undertaking were not subject to the circumstances listed in Article 146 of the Company Law. The content of the above undertaking is true, complete and accurate, and there are no false or misleading statements or major omissions. The party involved in undertaking is fully aware of the possible consequences of making a false statement, and is willing to bear all legal consequences arising therefrom.	19 January 2023	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VI Material Matters

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

VI Material Matters

I. 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
	Dongxing Securities Investment Co., Ltd.	Undertaking on share lock-up	1. The company will not transfer the shares acquired from the transaction within 12 months from the date when the shares acquired in the transaction are issued. However, if the CSRC requests to adjust the lock-up period of the subject shares, it shall be adjusted according to relevant requirements. 2. The above-mentioned "shares acquired in the transaction" include the shares acquired during the lock-up period due to the distribution of stock dividends and the increase of capital reserves. 3. After the shares of Chenming Paper acquired in the transaction are unlocked, the company's disposal of shares must comply with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Shenzhen Stock Exchange Implementation Rules on the Share Lessening by the Shareholders, Directors, Supervisors and Senior Management of Listed Companies, and the Articles of Association of Shandong Chenming Paper Holdings Limited, and other provisions of laws, regulations, rules and normative documents.	21 November 2022	Twelve months from the date of completion of share issuance	The asset restructuring ended, and the undertaking was fulfilled.
	Chongqing International Trust Inc.		Chongqing Trust (the "company"), as the trustee of Chongqing Trust Huiyu No. 6 Collective Fund Trust Plan ("Huiyu No. 6" or the "Plan"), represents Huiyu No. 6 as the counterparty of the Company in the transaction, and will hold shares of the Company after the transaction is completed. The company has made the following commitments on the lock-up period of the shares of the Company acquired in the transaction (the "subject shares"): 1. The shares of the Company acquired by the company (representing Huiyu No. 6) in the transaction will not be transferred within 12 months from the date when the shares acquired in the transaction are issued, but if the CSRC requests to adjust the lock-up period of the subject shares, it shall be adjusted according to relevant requirements. 2. "The shares of the Company acquired in the transaction" as mentioned above include shares of the Company acquired during the lock-up period due to the distribution of stock dividends by the Company and the increase of capital reserves. 3. The company (representing Huiyu No. 6) shall abide by the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Shenzhen Stock Exchange Implementation Rules on the Share Lessening by the Shareholders, Directors, Supervisors and Senior Management of Listed Companies, and the Articles of Association of Shandong Chenming Paper Holdings Limited, and other provisions of laws, regulations, rules and normative documents.	21 November 2022	Twelve months from the date of completion of share issuance	The asset restructuring ended, and the undertaking was fulfilled.
	Dongxing Securities Investment Co., Ltd., Chenming (Qingdao) Asset Management Co., Ltd.	Explanation and commitment letter of the counterparty on the ownership of the underlying assets	1. The company has a clear ownership of the subject assets, which can be legally disposed of, and there are no rights restrictions or defects such as pledge, guarantee, freezing and seizure, nor major legal disputes such as litigation and arbitration. 2. During the period from the valuation benchmark date of the subject assets of the transaction to the asset delivery date, the company will not set any third-party rights such as mortgage and pledge on the subject assets. 3. The company waives the pre-emptive right to buy the shares transferred by other shareholders of the target company. 4. There are no legal obstacles to the target asset transfer by the company, nor other relevant investment agreements or other arrangements that restrict transactions.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

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I. 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
	Chongqing International Trust Inc.		Chongqing Trust (the "company"), as the trustee of Chongqing Trust Huiyu No. 6 Collective Fund Trust Plan ("Huiyu No. 6" or the "Plan"), represents Huiyu No. 6 as the transaction counterparty of the Company, and hereby promises as follows: 1. The company (representing Huiyu No. 6) has a clear ownership of the subject assets and can make legal disposal. There are no rights restrictions or defects such as pledge, guarantee, freezing and seizure, nor major legal disputes such as litigation and arbitration. 2. During the period from the asset valuation benchmark date to the asset delivery date, the company (representing Huiyu No. 6) will not set any third-party rights such as mortgage and pledge on the subject assets. 3. The company (representing Huiyu No. 6) waives the pre-emptive right to buy the shares transferred by other shareholders of the target company. 4. In addition, there are no legal obstacles to the target asset transfer by the company (representing Huiyu No. 6), nor other investment agreements or other arrangements that restrict transactions.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
	Dongxing Securities Investment Co., Ltd., Chongqing International Trust Inc., Chenming (Qingdao) Asset Management Co., Ltd.	Undertaking on absence of insider trading	1. The company, its controlling shareholder, all directors, supervisors and senior management members, and the entities controlled by the abovementioned subjects have not been placed on file for investigation for suspected insider trading related to this transaction. In the last 36 months, there is no case that the CSRC has imposed administrative punishment or the judicial organs have lawfully investigated criminal responsibility for participating in insider trading related to major asset reorganisation, and there is no case that the above personnel are not allowed to participate in the transaction according to Article 13 of the Guidelines for Supervision of Listed Companies No.7 - Supervision of Abnormal Stock Trading Related to Major Asset Restructuring of Listed Companies. 2. The company, its controlling shareholder and its all directors, supervisors and senior management members guarantee to take necessary measures to keep the confidential materials and information involved in the transaction strictly confidential in accordance with the requirements of applicable laws and regulations.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.
	Dongxing Securities Investment Co., Ltd., Chenming (Qingdao) Asset Management Co., Ltd.	Commitment on no illegal matters in the past five years	1. The company and its major management personnel did not receive any criminal punishment or administrative punishment related to the securities market in the last five years, and there was no major civil litigation or arbitration related to economic disputes; 2. The company and its major management personnel did not fail to repay large debts on schedule or fulfill their commitments, were not taken administrative supervision measures by the CSRC, or were not disciplined by stock exchanges; 3. The company had no other major illegal acts that damaged the investors' legitimate rights and interests and social public interests, nor other bad records.	21 November 2022	Until the completion date of the implementation of the restructuring plan	During the reporting period, the parties involved in undertaking did not violate the undertaking, the asset restructuring ended, and the undertaking was fulfilled.

VI Material Matters

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

VI Material Matters

I. 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
Undertaking made on initial public offering or refinancing	Chenming Holdings Company Limited	Non-competitive undertaking	(1) Chenming Holdings Co., Ltd. ("Chenming Holdings") shall not engage, whether solely, jointly, or by representing itself or any other persons or companies, and shall not procure its associates (as defined in The Listing Rules of Hong Kong Stock Exchange) to engage, in any business which competes with the business of the Company and its subsidiaries ("Chenming Group" or "we") directly or indirectly, in any country and region which our business exists (or any part of the world if in any form of electronics business), or in any business that directly or indirectly competes with Chenming Group's business which we operate from time to time (including but not limited to any business in the form of sole proprietorship, joint ventures or acquisitions, or holding interests directly or indirectly in such enterprises, or by any other means); (2) in the event that Chenming Holdings is required by its business to, whether solely, jointly, or by representing itself or any other persons or companies, engage in business which directly or indirectly competes against the business of Chenming Group, or obtain any business opportunity which directly or indirectly competes against the business of Chenming Group, it shall endeavour to procure that Chenming Group shall have priority to obtain the right to operate such business or to obtain such business opportunity; (3) if Chenming Holdings is in breach of the abovementioned undertakings, it shall indemnify the Company for any loss caused by such breach and the Company shall have the right to acquire all businesses of Chenming Holdings, which directly or indirectly compete with the businesses of our Group, at market price or cost price (whichever price is lower); (4) Chenming Holdings shall not make use of its position as the controlling shareholder (as defined in The Listing Rules of Hong Kong Stock Exchange) of our Group to jeopardise the legal interests of Chenming Group and its shareholders with other persons or companies or on their behalf.	22 May 2008	During the period when Chenming Holdings was the major shareholder of the Company	Implementing as normal
	Chenming Holdings Company Limited	Defective properties	(1) According to the plan on defective properties of the Company, Chenming Holdings Co., Ltd. ("Chenming Holdings") has guaranteed and undertaken that: according to the application of the Company, for defective property(ies) owned by the Company and its holding subsidiary company which situated in the administrative area of Shouguang city, Chenming Holdings will purchase it (them) and have it(them) being transferred to itself pursuant to the law in accordance with the result of the related asset valuation if the Company decides to transfer and dispose of it(them) and there is no other transferee; (2) before the Company transfers and disposes of the defective properties pursuant to the law, if the Company suffers any economic losses due to the defects of the title (including but not limited to damages, penalties and relocation costs), Chenming Holdings will bear such economic losses; (3) during the regulatory process taken to the defective properties of buildings and land of subsidiaries of the Company situated outside the local areas (outside the administrative area of Shouguang city), the economic losses such as penalties or relocation costs imposed by competent administrative authorities to be borne by the subsidiaries arising from defects of insufficient title documents shall be paid pursuant to the law by Chenming Holdings after verification.	16 January 2008	During the period when Chenming Holdings was the major shareholder of the Company	Implementing as normal
Whether undertakings performed on time				Yes		
If the undertakings are not performed within specified period, details of the specific reasons for the incomplete performance and the next steps should be provided				N/A		

VI Material Matters

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

Applicable Not applicable

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

III. External guarantees against the rules and regulations

Applicable Not applicable

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

IV. Engagement or dismissal of accounting firms

Has the interim financial report been audited?

Yes No

The interim financial report is unaudited.

V. Opinions of the Board and the Supervisory Committee regarding the “modified auditor’s report” for the reporting period issued by the accountants

Applicable Not applicable

VI. Opinions of the Board regarding the “modified auditor’s report” for the prior year

Applicable Not applicable

VII. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

VI Material Matters

VIII. Litigation

Material litigation and arbitration

Applicable Not applicable

During the reporting period, the Company had no material litigation and arbitration.

Other litigations

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
Summary of matters not subject to disclosure as material litigation (arbitration) in which Chenming Leasing is the plaintiff	123,098.64	No	The amount involved in ongoing cases was RMB233.0244 million; the amount involved in resolved cases was RMB997.9620 million.	For resolved cases, the court ordered relevant defendant and guarantor to settle outstanding loans to the Company, in line with the request of the Company and would not have any significant impact on the operation and financial condition of the Company.	All the resolved cases are in the progress of execution.	N/A	N/A
Summary of matters not subject to disclosure as material litigation (arbitration) in which the Company and other subsidiaries of the Company are the plaintiff	30,598.66	No	The amount involved in ongoing cases was RMB216.7849 million; the amount involved in resolved cases was RMB89.2017 million.	Did not have any significant impact on the operation and financial condition of the Company.	The amount involved in the resolved and executed cases was RMB2.7266 million, and other cases are in the progress of execution.	N/A	N/A
Summary of matters not subject to disclosure as material litigation (arbitration) in which the Company and other subsidiaries of the Company are the defendant	8,813.75	No	The amount involved in ongoing cases was RMB57.0221 million; the amount involved in resolved cases was RMB31.1154 million.	Did not have any significant impact on the operation and financial condition of the Company.	All the resolved cases have been executed.	N/A	N/A

IX. Punishment and rectification

Applicable Not applicable

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

Applicable Not applicable

XI. Significant related party transactions

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

Applicable Not applicable

VI Material Matters

XI. Significant related party transactions (Cont'd)

1. Related party transactions associated with day-to-day operation (Cont'd)

Related party transactions	Relationship with the Company	Types of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transaction	Related party transaction price	Amount of related party transactions (RMB'0,000)	Percentage as the amount of similar transactions	Amount of transactions approved (RMB'0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
Weifang Port Wood Chip Terminal Co., Ltd.	Joint venture	Labour service	Port miscellaneous fees	Market price	Market price	2,031.77	4.57%	N/A	N/A	Bank acceptance and telegraphic transfer	N/A	N/A	N/A
Total				-	-	2,031.77	-	-	-	-	-	-	-
Particulars on refund of bulk sale								Nil					
Estimated total amount for day-to-day related party transactions to be conducted during the period (by types of transactions) and their actual implementing during the reporting period (if any)								Nil					
Reasons for large differences between transaction price and market reference price (if applicable)								N/A					

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

Applicable Not applicable

There was no related party transaction of the Company and its subsidiaries 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.

4. Related creditors' rights and debts transactions

Applicable Not applicable

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

Yes No

VI Material Matters

XI. Significant related party transactions (Cont'd)

4. Related creditors' rights and debts transactions (Cont'd)

Creditor's rights receivable from any related party

Related party	Relationship with the Company	Reason	Was there any non-operating capital occupation	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount recovered during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture	Financial support	No	1,829.12	0.00	198.40	6.00%	49.19	1,679.91
Weifang Port Area Wood Chip Port Co., Ltd.	A joint venture	Financial support	No	7,167.93	0.00	0.00	6.00%	190.05	7,357.98

The above financial support, which was the financial support provided proportionally by shareholders of the joint venture, did not affect the ordinary operation of the Company. Moreover, they catered to the needs for development of existing businesses of Shouguang Meite Environmental and Weifang Port Area Wood Chip Port and lowered the financing costs.

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

Debts payable to any related party

Related party	Relationship with the Company	Reason	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount repaid during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
Chenming Holdings Company Limited	The controlling shareholder	Financial support	0.00	4,000.00	4,000.00	Market interest rate	10.11	0.00
Guangdong Nanyue Bank Co., Ltd.	An associate	Borrowing	190,910.00	84,260.00	69,260.00	Market interest rate	862.54	205,910.00

Effect of related debts on the operating results and financial position of the Company

Financial support was provided by Chenming Holdings without requiring any pledge or guarantee, which was a testament to its support and confidence in the future development of the Company, and helped the Company promote project construction and satisfy its needs for working capital.

5. Deals with related financial companies

Applicable Not applicable

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

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

Applicable Not applicable

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

7. Other significant related party transactions

Applicable Not applicable

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

VI Material Matters

XII. 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

Leasing description:

As a lessee

The Company has simplified the treatment of short-term leases and leases of low-value assets by not recognising right-of-use assets and lease liabilities. The charges to expense for short-term leases, low-value assets and variable lease payments not included in the measurement of lease liabilities during the current period are as follows:

Unit: RMB

Item	First half of 2023
Low-value leases	3,592,557.81
Total	3,592,557.81

VI Material Matters

XII. Material contracts and implementation (Cont'd)

1. Custody, contracting and leasing (Cont'd)

(3) Leasing (Cont'd) As a lessor

Where an operating lease is formed:

According to paragraph 58 of the new lease standard, the lessor shall disclose in the notes the following information related to operating leases:

- ① Lease income, and make separate disclosure of income related to variable lease payments not included in lease receipts;

Unit: RMB

Item	First half of 2023
Lease income	101,409,816.53

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

Unit: RMB

Year	30 June 2023
Within 1 year after the balance sheet date	186,273,239.51
1 to 2 years after the balance sheet date	177,448,128.92
2 to 3 years after the balance sheet date	148,642,096.01
3 to 4 years after the balance sheet date	137,410,651.95
4 to 5 years after the balance sheet date	123,958,223.57
More than 5 years after the balance sheet date	119,369,469.15
Total	893,101,809.11

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

Applicable Not applicable

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

VI Material Matters

XII. Material contracts and implementation (Cont'd)

2. Significant guarantees

√ Applicable □ Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB7,535.0569 million. As at 30 June 2023, the balance of the external guarantee provided by the Company (including the guarantee to its subsidiaries by the Company and the guarantee provided to subsidiaries by subsidiaries) amounted to RMB12,446.6527 million, representing 68.06% of the equity attributable to shareholders of the Company as at the end of June 2023.

Unit: RMB'0,000

Name of obligee	Date of the related announcement disclosing the guarantee amount	External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)							Guarantee to related parties or not	
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Collateral	Counter-guarantee (if any)	Term		Fulfilled or not
Weifang Port Area Wood Chip Port Co., Ltd	24 July 2017	17,500.00	20 December 2017	10,520.00	General guarantee	Credit guarantee	No	10 years	No	Yes
Zhanjiang Runbao Trading Co., Ltd.	30 March 2022	16,000.00	25 April 2022	16,000.00	Pledge	34.64% equity interest in Wuhan Chenming Properties	Remaining equity transfer payment of RMB160 million	2 years	No	No
Zhanjiang Dingjin Trading Co., Ltd.	7 December 2022	13,558.19	7 December 2022	13,558.19	Pledge	Properties	Remaining equity transfer payment of RMB136 million	3 years	No	No
Shanghai Shuilian Trading Co., Ltd.	7 December 2022	45,700.00	7 December 2022	45,000.00	Pledge	100% equity interest in Shanghai Chongmin	80% equity interest in Taixing Port held by Shanghai Huahao	3 years	No	No
Total external guarantees approved during the reporting period (A1)				0.00	Total actual external guarantees during the reporting period (A2)				0.00	
Total external guarantees approved at the end of the reporting period (A3)				92,758.19	Balance of total actual guarantees at the end of the reporting period (A4)				85,078.19	

VI Material Matters

XII. 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	Collateral	Counter-guarantee	Term		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	57,590.00	16 October 2020	57,590.00	General guarantee	No	No	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2022	273,501.53	31 May 2022	273,501.53	General guarantee	No	No	1 year	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2023	1,070,000.00	25 May 2023	98,030.00	General guarantee	No	No	1 year	No	No
Shouguang Meilun Paper Co., Ltd.	30 March 2022	77,759.84	29 July 2022	77,759.84	General guarantee	No	No	1 year	No	No
Shouguang Meilun Paper Co., Ltd.	30 March 2023	500,000.00	19 June 2023	92,777.57	General guarantee	No	No	1 year	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2022	53,023.40	1 July 2022	53,023.40	General guarantee	No	No	1 year	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2023	430,000.00	24 May 2023	97,752.63	General guarantee	No	No	1 year	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2022	78,500.00	27 July 2022	78,500.00	General guarantee	No	No	1 year	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2023	380,000.00	23 May 2023	2,000.00	General guarantee	No	No	1 year	No	No
Huanggang Chenming Paper Technology Co., Ltd.	30 March 2023	470,000.00			General guarantee	No	No	1 year	No	No
Chenming (HK) Limited	30 March 2023	200,000.00	18 May 2023	7,729.86	General guarantee	No	No	1 year	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	30 March 2023	10,000.00			General guarantee	No	No	1 year	No	No
Jilin Chenming Paper Co., Ltd.	30 March 2023	30,000.00	31 May 2023	2,600.00	General guarantee	No	No	1 year	No	No
Shouguang Chenming Art Paper Co., Ltd.	30 March 2023	20,000.00			General guarantee	No	No	1 year	No	No
Shandong Chenming Group Finance Co., Ltd.	30 March 2023	20,000.00			General guarantee	No	No	1 year	No	No
Kunshan Tuocan Plastic Products Co., Ltd.	30 March 2022	3,000.00	27 February 2023	3,000.00	General guarantee	No	No	1 year	No	No
Kunshan Tuocan Plastic Products Co., Ltd.	30 March 2023	10,000.00			General guarantee	No	No	1 year	No	No
Chenming (Singapore) Co., Ltd.	30 March 2023	50,000.00			General guarantee	No	No	1 year	No	No
Shandong Chenming Paper Sales Co., Ltd.	30 March 2022	214,612.70	19 August 2022	214,612.70	General guarantee	No	No	5 years	No	No
Shandong Chenming Paper Sales Co., Ltd.	30 March 2023	350,000.00			General guarantee	No	No	1 year	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2022	6,500.00	26 October 2022	6,500.00	General guarantee	No	No	1 year	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2023	150,000.00	29 May 2023	1,000.00	General guarantee	No	No	1 year	No	No

VI Material Matters

XII. 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	Collateral	Counter-guarantee	Term		
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	30 March 2023	30,000.00			General guarantee	No	No	1 year	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	30 March 2023	100,000.00	27 June 2023	14,999.55	General guarantee	No	No	1 year	No	No
Hainan Chenming Technology Co., Ltd.	30 March 2022	55,570.00	20 September 2022	55,570.00	General guarantee	No	No	1 year	No	No
Hainan Chenming Technology Co., Ltd.	30 March 2023	100,000.00	25 May 2023	22,640.00	General guarantee	No	No	1 year	No	No
Chenming (Overseas) Co., Ltd.	30 March 2023	30,000.00			General guarantee	No	No	1 year	No	No
Nanchang Chenming Arboriculture Development Co., Ltd.	30 March 2023	10,000.00			General guarantee	No	No	1 year	No	No
Shouguang Chenming Papermaking Machine Co., Ltd.	30 March 2023	5,000.00			General guarantee	No	No	1 year	No	No
Shouguang Hongxiang Printing and Packaging Co., Ltd.	30 March 2023	5,000.00			General guarantee	No	No	1 year	No	No
Shouguang Hongyi Decorative Packaging Co., Ltd.	30 March 2023	5,000.00			General guarantee	No	No	1 year	No	No
Shouguang Chenming Modern Logistic Co., Ltd.	30 March 2023	5,000.00			General guarantee	No	No	1 year	No	No
Shandong Grand View Hotel Co., Ltd.	30 March 2023	5,000.00			General guarantee	No	No	1 year	No	No
Foshan Chenming Import and Export Trade Co., Ltd.	30 March 2023	50,000.00			General guarantee	No	No	1 year	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)				4,035,000.00	Total amount of guarantee provided for subsidiaries during the reporting period (B2)				753,505.69	
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)				4,855,057.47	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)				1,159,587.08	

Guarantees between subsidiaries			
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)	0.00	Total amount of guarantee provided for subsidiaries during the reporting period (C2)	0.00
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)	0.00	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)	0.00

Total amount of guarantee provided (i.e. sum of the above three guarantee amount)			
Total amount of guarantee approved during the reporting period (A1+B1+C1)	4,035,000.00	Total amount of guarantee during the reporting period (A2+B2+C2)	753,505.69
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)	4,947,815.66	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)	1,244,665.27
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company			68.06%
Of which:			
Balance of guarantee provided for shareholders, beneficial controllers and its related parties (D)			0.00
Balance of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)			370,842.25
Total amount of guarantee provided in excess of 50% of net assets (F)			330,294.92
Sum of the above three amount of guarantee (D+E+F)			701,137.17
For the unexpired guarantee contract, the guarantee liability has occurred during the reporting period or there is evidence showing that it is possible to bear joint liability for repayment (if any)			No
Providing external guarantees in violation of prescribed procedures (if any)			No

VI Material Matters

XII. Material contracts and implementation (Cont'd)

3. Entrusted wealth management

Applicable Not applicable

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

4. Other material contracts

Applicable Not applicable

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

XIII. Other matters of significance

Applicable Not applicable

1. Entering into the Strategic Cooperation Agreement with China Construction Bank Shandong Branch

On 24 April 2023, the Company entered into the Strategic Cooperation Agreement with China Construction Bank Co., Ltd. Shandong Branch (hereinafter referred to as “CCB Shandong”), in which both parties agreed to conduct comprehensive cooperation in the commercial banking and investment banking business, provided that laws and regulations, regulatory requirements, internal risk management system and relevant business operation procedures of CCB Shandong are complied, internal approval from CCB Shandong is obtained and credit conditions are met. After entering into the Agreement, CCB Shandong will be able to fully utilise its service resources to prioritise providing comprehensive financial services to the Company and its subsidiaries, which will help the Company further broaden financing channels, optimise capital structure, enhance capital strength and achieve sound development by relying on the high-quality resources and platforms of large state-owned commercial banks.

For details, please refer to the relevant announcement disclosed by the Company on Cninfo on 26 April 2023 (announcement number: 2023-036) and the overseas regulatory announcement disclosed by the Company on the website of Hong Kong Stock Exchange on 25 April 2023.

2. Repayment of the “18 Chenming Bond 01” of RMB350 million on schedule and completion of delisting

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

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

3. Proposed full redemption of perpetual bonds of RMB1 billion

On 11 July 2017, the Company issued “17 Lu Chenming MTN001” amounting to RMB1 billion with a term of 3+N. According to the “Prospectus of the Company’s 2017 First Tranche of Medium-term Notes”, “17 Lu Chenming MTN001” is subject to the issuer’s redemption option. The Company proposed to redeem the RMB1 billion perpetual bonds in full. The principal and interest payment on 12 July 2023 amounted to RMB1,089.70 million. To date, all the bonds of the Company have been redeemed.

For details, please refer to the relevant announcement disclosed by the Company on Shanghai Clearing (www.shclearing.com) and China Money (www.chinamoney.com.cn) on 11 May 2023.

VI Material Matters

XIII. Other matters of significance (Cont'd)

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

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

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

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

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

5. Information disclosure index for 2023 Interim Report

Announcement no.	Subject matter	Date of publication	Publication website and index
2023-001	Announcement on Receipt of Government Subsidies	3 January 2023	http://www.cninfo.com.cn
2023-002	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	19 January 2023	http://www.cninfo.com.cn
2023-003	Announcement on Resolutions of the Sixth Extraordinary Meeting of the Tenth Session of the Board of Directors	20 January 2023	http://www.cninfo.com.cn
2023-004	Announcement on Resolutions of the Third Extraordinary Meeting of the Tenth Session of the Supervisory Committee	20 January 2023	http://www.cninfo.com.cn
2023-005	Notice of the 2023 First Extraordinary General Meeting, 2023 First Class Meeting for Holders of Domestic-listed Shares, and 2023 First Class Meeting for Holders of Overseas-listed Shares	20 January 2023	http://www.cninfo.com.cn

VI Material Matters

XIII. Other matters of significance (Cont'd)

5. Information disclosure index for 2023 Interim Report (Cont'd)

Announcement no.	Subject matter	Date of publication	Publication website and index
2023-006	Announcement on Effects of Dilution on the Current Earnings Per Share As a Result of the Transaction and Relevant Remedial Arrangement of the Company	20 January 2023	http://www.cninfo.com.cn
2023-007	2022 Annual Results Forecast	31 January 2023	http://www.cninfo.com.cn
2023-008	Announcement on the Continued Pledge of Shares held by Shareholders	11 February 2023	http://www.cninfo.com.cn
2023-009	Reply to the Inquiry Letter on Restructuring from the Shenzhen Stock Exchange	16 February 2023	http://www.cninfo.com.cn
2023-010	Announcement on Resolutions of the 2023 First Extraordinary General Meeting, 2023 First Class Meeting for Holders of Domestic-listed Shares, and 2023 First Class Meeting for Holders of Overseas-listed Shares	28 February 2023	http://www.cninfo.com.cn
2023-011	Shandong Chenming Paper Holdings Limited Self-inspection Report on the Trading of Shares by Insiders on Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction	28 February 2023	http://www.cninfo.com.cn
2023-012	Supplementary Announcement on the Self-inspection Report on the Trading of Shares by Insiders on Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction	7 March 2023	http://www.cninfo.com.cn
2023-013	Announcement on the Continued Pledge of Shares held by Shareholders	11 March 2023	http://www.cninfo.com.cn
2023-014	Announcement on the Acceptance of Asset Purchase Through Issuance of Shares and Cash Payments and Related Party Transaction by the Shenzhen Stock Exchange	16 March 2023	http://www.cninfo.com.cn
2023-015	Shandong Chenming Paper Holdings Limited Announcement on Payment of 2023 Interest and Delisting with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018	30 March 2023	http://www.cninfo.com.cn
2023-016	Announcement on Resolutions of the Fourth Meeting of the Tenth Session of the Board of Directors	31 March 2023	http://www.cninfo.com.cn
2023-017	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Tenth Session of the Supervisory Committee	31 March 2023	http://www.cninfo.com.cn
2023-018	2022 Annual Report Summary	31 March 2023	http://www.cninfo.com.cn
2023-019	Notice of 2022 Annual General Meeting	31 March 2023	http://www.cninfo.com.cn
2023-020	Special Statement on Securities Investment in 2022	31 March 2023	http://www.cninfo.com.cn
2023-021	Announcement on Appointment of Auditor for 2023	31 March 2023	http://www.cninfo.com.cn

VI Material Matters

XIII. Other matters of significance (Cont'd)

5. Information disclosure index for 2023 Interim Report (Cont'd)

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

VI Material Matters

XIII. Other matters of significance (Cont'd)

5. Information disclosure index for 2023 Interim Report (Cont'd)

Announcement no.	Subject matter	Date of publication	Publication website and index
2023-039	Announcement on Resolutions of the Fifth Meeting of the Tenth Session of the Board of Directors	29 April 2023	http://www.cninfo.com.cn
2023-040	Announcement on Resolutions of the Fifth Meeting of the Tenth Session of the Supervisory Committee	29 April 2023	http://www.cninfo.com.cn
2023-041	2023 First Quarterly Report	29 April 2023	http://www.cninfo.com.cn
2023-042	Announcement on Signing of the Agreement on the Recovery of State-owned Construction Land Use Right signed by Wuhan Chenming	29 April 2023	http://www.cninfo.com.cn
2023-043	Announcement on Resolutions of the 2023 Second Extraordinary General Meeting	09 May 2023	http://www.cninfo.com.cn
2023-044	Announcement on Resolutions of 2022 Annual General Meeting	13 May 2023	http://www.cninfo.com.cn
2023-045	Announcement on Safety Accidents Occurred by the Slurry Residue Outsourcing Entity of a Subsidiary	25 May 2023	http://www.cninfo.com.cn
2023-046	Announcement on Resolutions of the Eighth Extraordinary Meeting of the Tenth Session of the Board of Directors	30 June 2023	http://www.cninfo.com.cn
2023-047	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Tenth Session of the Supervisory Committee	30 June 2023	http://www.cninfo.com.cn
2023-048	Announcement on Termination and Withdrawal of Application Documents for Asset Purchase Through Issuance of Shares and Cash Payments	30 June 2023	http://www.cninfo.com.cn

XIV. Matters of significant of subsidiaries of the Company

√ Applicable □ Not applicable

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

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

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

VII Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amount	Percentage	New issue	Bonus issue	Shares converted		Subtotal	Amount	Percentage
					from reserves	Others			
I. Restricted shares	61,489,837	2.06%			-1,982,250	-1,982,250		59,507,587	2.00%
1. Shares held by other domestic investors	61,489,837	2.06%			-1,982,250	-1,982,250		59,507,587	2.00%
Including: Shares held by domestic natural persons	61,489,837	2.06%			-1,982,250	-1,982,250		59,507,587	2.00%
II. Non-restricted shares	2,918,252,363	97.94%			1,982,250	1,982,250		2,920,234,613	98.00%
1. RMB ordinary shares	1,683,561,847	56.50%			1,982,250	1,982,250		1,685,544,097	56.57%
2. Domestic listed foreign shares	706,385,266	23.71%						706,385,266	23.71%
3. Overseas listed foreign shares	528,305,250	17.73%						528,305,250	17.73%
III. Total number of shares	2,979,742,200	100.00%						2,979,742,200	100.00%

The reasons for such changes

Applicable Not applicable

The Shenzhen Branch of China Securities Depository and Clearing Corporation Limited recalculated the statutory quota of transferable shares for the Directors, Supervisors and Senior Management of the Company this year at 25% on the first trading day of this year based on the shares of the Company registered under the names of its Directors, Supervisors and Senior Management on the last trading day of the previous year, resulting in a reduction of 1,982,250 RMB ordinary shares in the locked shares of Senior Management.

Approval of changes in shareholding

Applicable Not applicable

Transfer of shares arising from changes in shareholding

Applicable Not applicable

Progress of share repurchase

Applicable Not applicable

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

Applicable Not applicable

VII Changes in Share Capital and Shareholders

I. Changes in shares (Cont'd)

1. Changes in shares (Cont'd)

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 the period	Restricted shares released during the period	Restricted shares increased during the period	Restricted shares at the end of the period	Reason for restriction	Date of release from restriction
Hu Changqing	3,782,143	750,000	0	3,032,143	Restricted shares of the participants of the Share Incentive Scheme; locked-up shares of Directors, Supervisors and Senior Management	3 January 2023
Li Feng	2,929,520	450,000	0	2,479,520	Restricted shares of the participants of the Share Incentive Scheme; locked-up shares of Directors, Supervisors and Senior Management	3 January 2023
Li Weixian	1,560,900	357,300	0	1,203,600	Restricted shares of the participants of the Share Incentive Scheme; locked-up shares of Directors, Supervisors and Senior Management	3 January 2023
Li Mingtang	750,000	150,000	0	600,000	Restricted shares of the participants of the Share Incentive Scheme; locked-up shares of Directors, Supervisors and Senior Management	3 January 2023
Li Zhenzhong	1,584,750	124,950	0	1,459,800	Restricted shares of the participants of the Share Incentive Scheme; locked-up shares of Directors, Supervisors and Senior Management	3 January 2023
Dong Lianming	750,000	150,000	0	600,000	Restricted shares of the participants of the Share Incentive Scheme; locked-up shares of Directors, Supervisors and Senior Management	3 January 2023
Total	11,357,313	1,982,250	0	9,375,063	—	—

II. Issuance and listing of securities

Applicable Not applicable

VII Changes in Share Capital and Shareholders

III. Total number of shareholders and shareholdings

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	146,991, of which 125,210 were holders of A shares, 21,454 were holders of B shares and 327 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
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Shareholdings of ordinary shareholders interested in more than 5% of the shares of the Company or top 10 ordinary shareholders

Name of shareholder	Nature of shareholders	Percentage of shareholding	Number of ordinary shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Share pledged, marked or locked-up Status of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.35%	457,322,919	0	0	457,322,919	Pledged	247,040,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.53%	373,440,375	51,750	0	373,440,375		
CHENMING HOLDINGS (HONG KONG) LIMITED (Note 1)	Overseas legal person	12.22%	364,131,563	0	0	364,131,563		
Hong Zejun	Domestic natural person	3.02%	90,000,000	13,300,000	0	90,000,000		
Chen Hongguo	Domestic natural person	1.04%	31,080,044	0	23,310,033	7,770,011		
SHANDONG SUN HOLDINGS GROUP CO., LTD.	Domestic non-state-Owned legal person	0.84%	24,987,117	0	0	24,987,117		
CHINA MERCHANTS SECURITIES (HK) CO., LIMITED	Overseas legal person	0.58%	17,378,201	6,837,967	0	17,378,201		
HONG KONG SECURITIES CLEARING COMPANY LIMITED	Overseas legal person	0.54%	15,968,039	-1,744,042	0	15,968,039		
Du Haibin	Domestic natural person	0.53%	15,766,502	15,766,502	0	15,766,502		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.50%	14,852,146	163,800	0	14,852,146		
Strategic investors or general legal persons who become the top ten shareholders due to the placement of new shares	Nil							
Related party relationship or acting in concert among the above shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Chenming Holdings Company Limited, which is a state-owned legal person; A shareholder, Chen Hongguo, is the legal representative and chairman of Chenming Holdings Company Limited. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.							
Explanation of the aforementioned shareholders' entrusted/entrusted voting rights and waiver of voting rights	Nil							
Special explanation for designated repurchase accounts among the top ten shareholders	Nil							

VII Changes in Share Capital and Shareholders

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

Name of shareholder	Shareholdings of the top ten non-restricted shareholders		
	Number of non-restricted shares held as at the end of the reporting period	Class of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	457,322,919	RMB ordinary shares	457,322,919
HKSCC NOMINEES LIMITED	373,440,375	Overseas listed foreign shares	373,440,375
CHENMING HOLDINGS (HONG KONG) LIMITED (Note 1)	364,131,563	Domestic listed foreign shares	210,717,563
		Overseas listed foreign shares	153,414,000
Hong Zejun	90,000,000	RMB ordinary shares	90,000,000
SHANDONG SUN HOLDINGS GROUP CO., LTD.	24,987,117	RMB ordinary shares	24,987,117
CHINA MERCHANTS SECURITIES (HK) CO., LIMITED	17,378,201	Domestic listed foreign shares	17,378,201
HONG KONG SECURITIES CLEARING COMPANY LIMITED	15,968,039	RMB ordinary shares	15,968,039
Du Haibin	15,766,502	RMB ordinary shares	15,766,502
VANGUARD EMERGING MARKETS STOCK INDEX FUND	14,852,146	Domestic listed foreign shares	14,852,146
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,771,945	Domestic listed foreign shares	14,771,945

Related party relationship or acting in concert among the top ten non-restricted ordinary shareholders, and between the top ten non-restricted ordinary shareholders and the top ten ordinary shareholders

A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Chenming Holdings Company Limited, which is a state-owned legal person. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.

Securities margin trading of top 10 ordinary shareholders

Chenming Holdings Company Limited held 457,322,919 RMB ordinary shares, of which 326,322,919 shares were held through ordinary account and 131,000,000 shares were held through credit guarantee security account;

Hong Zejun held 90,000,000 RMB ordinary shares, of which 5,800,000 shares was held through ordinary account and 84,200,000 shares were held through credit guarantee security account;

Shandong Sun Holdings Group Co., Ltd. held 24,987,117 RMB ordinary shares, of which no share was held through ordinary account and 24,987,117 shares were held through credit guarantee security account.

VII Changes in Share Capital and Shareholders

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

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

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

Yes No

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

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

Applicable Not applicable

Name	Position	Status	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)	Shares held as at the end of the period (shares)	Restricted shares granted at the beginning of the period (shares)	Restricted shares granted at the beginning of the period (shares)	Restricted shares granted at the end of the period (shares)
Dong Lianming	Financial controller	In office	859,600	0	40,000	819,600	600,000	0	600,000
Yuan Xikun	Secretary to the Board	In office	344,700	0	75,000	269,700	180,000	0	180,000
Total	—	—	1,204,300	0	115,000	1,089,300	780,000	0	780,000

V. Change of controlling shareholders or beneficial controllers

Change of controlling shareholders during the reporting period

Applicable Not applicable

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

Change of beneficial controllers during the reporting period

Applicable Not applicable

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

VII Changes in Share Capital and Shareholders

VI. Securities interests held by Directors, Supervisors and chief executives disclosed in accordance with the Listing Rules of Hong Kong Stock Exchange

As at 30 June 2023, the interests and short positions held by each of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) as recorded in the register required to be kept under section 352 of the SFO, are set out as follows:

Company

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 2)	Chairman and general manager	31,080,044
Hu Changqing	Executive Director and vice chairman	3,792,857
Li Xingchun	Executive Director and vice chairman	5,000,000
Li Feng	Executive Director and deputy general manager	3,156,027
Li Weixian	Executive Director and deputy general manager	1,562,100
Han Tingde	Non-executive Director	–
Li Chuanxuan	Non-executive Director	–
Li Zhihui	Independent non-executive Director	–
Sun Jianfei	Independent non-executive Director	–
Yin Meiqun	Independent non-executive Director	–
Yang Biao	Independent non-executive Director	–
Supervisors		
Li Kang	Chairman of the Supervisory Committee	149,300
Pan Ailing	Supervisor	–
Zhang Hong	Supervisor	–
Sang Ailing	Supervisor	–
Qiu Lanju	Supervisor	–

Associated corporations

Name	Position	Name of associated corporations	Number of shares held at the beginning of the reporting period (shares)	Change during the period (+/-)	Number of shares held at the end of the reporting period (shares)
Chen Hongguo	Chairman and General Manager	Shouguang Henglian Enterprise Investment Co. Ltd. (Note 3)	231,000,000	–	231,000,000

Note 2: Save for the 31,080,044 A shares held personally, Chen Hongguo was deemed to be interested in the 3,861,322 A shares held by his spouse, Li Xueqin.

Note 3: 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”), and Shouguang Henglian is therefore 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.

VII Changes in Share Capital and Shareholders

VI. Securities interests held by Directors, Supervisors and chief executives disclosed in accordance with the Listing Rules of Hong Kong Stock Exchange (Cont'd)

Save as disclosed above, as at 30 June 2023, none of the Directors, Supervisors and 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 Listing Rules of Hong Kong Stock Exchange.

As at 30 June 2023, none of the Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 held or exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

VII. Interests and short position of substantial shareholders in shares and underlying shares disclosed in accordance with the Listing Rules of Hong Kong Stock Exchange

As at 30 June 2023, the following shareholders (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as shown in the share register maintained by the Company in accordance with Section 336 of the SFO:

Name	Number of shares held (shares)	Approximate shareholding as a percentage of	
		Total share capital (%)	Class of shares (%)
Chenming Holdings Company Limited	457,322,919 A shares (L)	15.35	26.21
Chenming Holdings (Hong Kong) Limited	210,717,563 B shares (L)	7.07	29.83
Chenming Holdings (Hong Kong) Limited	153,414,000 H shares (L)	5.15	29.04

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

Save as disclosed above, as at 30 June 2023, no other person had interests or short positions in the Company's shares and underlying shares as recorded in the register maintained under section 336 of the SFO.

VIII Preference Shares

Applicable Not applicable

The Company had no preference shares during the reporting period.

IX Bonds

Applicable Not applicable

I. Enterprise bonds

Applicable Not applicable

The Company had no enterprise bonds during the reporting period.

II. Corporate Bonds

Applicable Not applicable

The Company had no corporate bonds during the reporting period.

III. Non-financial corporate debt financing instruments

Applicable Not applicable

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

Name of bond	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Outstanding amount of the bonds (RMB)	Interest rate	Payment method	Trading venue
2017 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	17 Lu Chenming MTN001	101779001	11 July 2017	12 July 2017	12 July 2023	1,000,000,000.00	8.97%	Perpetual mid-term notes. Interest is paid annually and the principal is repaid upon maturity	Inter-bank bond market
Investor eligibility arrangement (if any)				No					
Applicable trading mechanism				Inter-bank bond market trading mechanism					
Whether there are delisting risks (if any) and countermeasures				N/A					

Overdue and outstanding bonds

Applicable Not applicable

IX Bonds

III. Non-financial corporate debt financing instruments (Cont'd)

2. Triggering and execution of issuer's or investor's option clause or investor protection clause

Applicable Not applicable

According to the "Prospectus of the 2017 First Tranche of Medium-term Notes of Shandong Chenming Paper Holdings Limited", "17 Lu Chenming MTN001" is subject to the issuer's redemption option. On 11 May 2023, the Company published the Announcement on the Exercise of the Redemption Option of the 2017 First Tranche of Medium-term Notes and the Announcement on the Redemption of the 2017 First Tranche of Medium-term Notes on Shanghai Clearing House (www.shclearing.com) and Chinamoney (www.chinamoney.com.cn). The Company chose to redeem "17 Lu Chenming MTN001" in full, and completed the payment of the principal and interest on 12 July 2023. To date, all the bonds of the Company have been redeemed.

3. Adjustment of credit rating results during the reporting period

Applicable Not applicable

4. Implementation of and changes in guarantee, debt repayment plan and other repayment guarantee measures during the reporting period and their impacts on the rights and interests of bond investors

Applicable Not applicable

"17 Lu Chenming MTN001" was not guaranteed. The Company was able to strictly implement the debt repayment plan, and paid the interest on time and in full according to the time stipulated in the prospectus. Its debt repayment plan and other debt repayment guarantee measures remained unchanged, which were consistent with the relevant commitments in the prospectus.

IV. Convertible bonds

Applicable Not applicable

The Company had no convertible bonds during the reporting period.

V. The loss in the scope of the consolidated financial statements during the reporting period exceeding 10% of the net assets as at the end of the prior year

Applicable Not applicable

IX Bonds

VI. 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	As at the end of	As at the end of	Increase/decrease
	the reporting period	the prior year	as at the end of the reporting period as compared to the end of the prior year
Current ratio	62.61%	63.04%	-0.43%
Gearing ratio	72.28%	71.85%	0.43%
Quick ratio	49.20%	49.90%	-0.70%

Item	The reporting period	The corresponding period of the prior year	Increase/decrease of the reporting period as compared to corresponding period of the prior year
	Net profit after extraordinary gains or losses	-81,183.92	17,340.79
Proportion of EBITDA to total debts	2.24%	4.25%	-2.01%
Interest coverage ratio	-0.09	1.33	-106.77%
Cash interest coverage ratio	2.98	2.11	41.23%
EBITDA interest coverage ratio	1.36	2.72	-50.00%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

X Financial Report

I. Auditors' Report

Is the interim report audited

Yes No

The interim financial report is unaudited.

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

30 June 2023

Unit: RMB

Item	30 June 2023	31 December 2022
CURRENT ASSETS:		
Monetary funds	13,755,530,864.83	14,000,434,986.08
Financial assets held for trading	50,433,870.59	74,708,444.88
Accounts receivable	2,946,153,971.11	3,212,260,445.96
Accounts receivable financing	614,794,433.04	924,960,384.16
Prepayments	846,920,981.37	788,191,626.82
Other receivables	1,645,909,354.44	1,717,445,443.44
Including: Interest receivable	—	—
Dividend receivable	—	—
Inventories	6,777,881,649.68	6,821,916,159.95
Non-current assets due within one year	3,852,470,167.90	3,998,724,415.85
Other current assets	1,160,886,486.81	1,180,807,801.62
Total current assets	31,650,981,779.77	32,719,449,708.76
NON-CURRENT ASSETS:		
Long-term receivables	1,372,560,959.21	1,486,807,783.47
Long-term equity investments	4,354,672,770.24	4,277,013,369.56
Other non-current financial assets	785,374,459.73	786,750,761.62
Investment property	6,154,324,519.02	6,256,723,113.15
Fixed assets	32,975,722,557.54	33,797,738,695.30
Construction in progress	674,425,091.26	558,866,880.36
Bearer biological assets	16,780,814.36	13,697,336.80
Right-of-use assets	175,084,081.35	181,614,699.25
Intangible assets	1,837,906,882.94	1,831,338,830.92
Goodwill	35,220,543.80	26,946,905.38
Long-term prepaid expenses	41,879,965.99	44,462,851.45
Deferred income tax assets	1,562,270,625.95	1,335,700,565.60
Other non-current assets	1,015,655,705.42	983,905,908.00
Total non-current assets	51,001,878,976.81	51,581,567,700.86
Total assets	82,652,860,756.58	84,301,017,409.62

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated balance sheet (Cont'd)

Item	30 June 2023	31 December 2022
CURRENT LIABILITIES:		
Short-term borrowings	34,946,527,126.28	36,385,048,295.02
Bills payable	3,530,803,793.61	3,128,595,835.04
Accounts payable	3,972,082,627.54	4,114,966,767.76
Receipts in advance	12,959,619.33	14,261,436.67
Contract liabilities	1,629,061,591.45	1,306,029,389.80
Employee benefits payable	114,802,027.95	144,925,887.00
Taxes payable	134,129,746.74	261,011,669.09
Other payables	2,059,334,576.71	1,870,403,909.17
Including: Interest payable	–	15,895,930.51
Dividend payable	–	–
Non-current liabilities due within one year	4,152,676,912.29	4,673,505,241.86
Total current liabilities	50,552,378,021.90	51,898,748,431.41
NON-CURRENT LIABILITIES:		
Long-term borrowings	4,895,546,304.36	3,982,236,251.08
Lease liabilities	49,288,793.84	53,596,047.46
Long-term payables	2,840,065,362.58	3,160,771,126.31
Deferred income	1,386,819,506.16	1,469,230,468.46
Deferred income tax liabilities	13,647,914.79	8,181,264.29
Total non-current liabilities	9,185,367,881.73	8,674,015,157.60
Total liabilities	59,737,745,903.63	60,572,763,589.01
OWNERS' EQUITY:		
Share capital	2,979,742,200.00	2,979,742,200.00
Other equity instruments	996,000,000.00	996,000,000.00
Including: Preference shares	–	–
Perpetual Bonds	996,000,000.00	996,000,000.00
Capital reserves	5,333,733,000.37	5,361,200,522.29
Less: Treasury shares	128,780,100.00	128,780,100.00
Other comprehensive income	-907,674,603.11	-821,940,694.57
Special reserves	19,914,734.49	15,791,710.95
Surplus reserves	1,212,009,109.97	1,212,009,109.97
General risk provisions	79,900,268.71	79,900,268.71
Retained profit	8,702,562,313.47	9,390,642,477.57
Total equity attributable to owners of the Company	18,287,406,923.90	19,084,565,494.92
Minority interest	4,627,707,929.05	4,643,688,325.69
Total owners' equity	22,915,114,852.95	23,728,253,820.61
Total liabilities and owners' equity	82,652,860,756.58	84,301,017,409.62

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company

Unit: RMB

Item	30 June 2023	31 December 2022
CURRENT ASSETS:		
Monetary funds	4,842,652,489.67	5,661,807,164.72
Bills receivable	2,665,209,020.76	3,482,822,426.80
Accounts receivable	2,520,259,119.61	134,755,527.73
Prepayments	1,131,421,810.91	375,206,833.58
Other receivables	8,352,806,067.27	9,337,019,470.13
Inventories	638,303,459.00	692,338,698.67
Non-current assets due within one year	3,190,542.30	13,434,710.01
Other current assets	76,616,158.33	86,159,558.49
Total current assets	20,230,458,667.85	19,783,544,390.13
NON-CURRENT ASSETS:		
Long-term receivables	12,069,279.21	15,914,404.25
Long-term equity investments	18,885,983,088.94	18,826,163,036.33
Other non-current financial assets	122,374,459.73	123,750,761.62
Fixed assets	3,547,645,657.47	3,654,340,361.49
Construction in progress	29,630,298.21	24,865,009.58
Intangible assets	483,415,378.84	490,533,559.72
Deferred income tax assets	559,868,680.69	518,171,288.92
Other non-current assets	13,217,145.67	986,260.70
Total non-current assets	23,654,203,988.76	23,654,724,682.61
Total assets	43,884,662,656.61	43,438,269,072.74
CURRENT LIABILITIES:		
Short-term borrowings	12,547,491,670.15	12,885,183,530.81
Bills payable	9,351,434,692.20	9,455,780,407.30
Accounts payable	825,592,347.73	1,288,578,359.05
Contract liabilities	4,188,916,529.77	1,503,256,921.15
Staff remuneration payables	47,516,337.34	65,349,838.50
Tax payables	9,573,634.48	11,729,028.39
Other payables	875,210,000.44	1,856,098,294.14
Including: Interest payable	–	15,895,930.51
Dividend payable	–	–
Non-current liabilities due within one year	1,026,488,877.77	1,171,869,377.78
Total current liabilities	28,872,224,089.88	28,237,845,757.12

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II. Financial Statements (Cont'd)

2. Balance sheet of the Company (Cont'd)

Item	30 June 2023	31 December 2022
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,460,844,500.00	1,698,253,561.10
Long-term payables	293,382,733.53	150,911,348.00
Deferred income	32,391,082.12	33,251,328.04
Total non-current liabilities	1,786,618,315.65	1,882,416,237.14
Total liabilities	30,658,842,405.53	30,120,261,994.26
OWNERS' EQUITY		
Share capital	2,979,742,200.00	2,979,742,200.00
Other equity instruments	996,000,000.00	996,000,000.00
Including: Preference shares	—	—
Perpetual Bonds	996,000,000.00	996,000,000.00
Capital reserves	5,119,757,519.19	5,147,225,041.11
Less: Treasury shares	128,780,100.00	128,780,100.00
Special reserves	3,327,739.59	2,066,138.15
Surplus reserves	1,199,819,528.06	1,199,819,528.06
Retained profit	3,055,953,364.24	3,121,934,271.16
Total owners' equity	13,225,820,251.08	13,318,007,078.48
Total liabilities and owners' equity	43,884,662,656.61	43,438,269,072.74

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II. Financial Statements (Cont'd)

3. Consolidated income statement

Unit: RMB

Item	First half of 2023	First half of 2022
I. Total revenue	12,564,962,781.31	16,676,428,365.83
Including: Revenue	12,564,962,781.31	16,676,428,365.83
II. Total operating costs	13,439,844,164.10	16,436,429,464.84
Including: Operating costs	11,496,731,662.58	14,124,548,249.51
Taxes and surcharges	105,817,810.49	116,108,890.55
Sales and distribution expenses	106,666,717.54	138,055,763.65
General and administrative expenses	328,296,224.86	353,167,395.54
Research and development expense	552,804,828.58	683,514,560.93
Finance expenses	849,526,920.05	1,021,034,604.66
Including: Interest expenses	856,872,614.18	991,475,816.56
Interest income	94,532,686.92	150,582,370.85
Plus: Other income	108,155,697.19	149,264,611.68
Investment income (“-” denotes loss)	-42,756,726.88	-24,138,176.90
Including: Investment income from associates and joint ventures	23,934,269.81	26,616,556.58
Gains on derecognition of financial assets measured at amortised cost (“-” denotes loss)	-67,175,214.10	-56,307,959.46
Gain on change in fair value (“-” denotes loss)	-19,815,797.83	-58,813,415.49
Credit impairment loss (“-” denotes loss)	-43,081,750.88	-25,363,341.17
Loss on impairment of assets (“-” denotes loss)	-43,314,485.76	1,936,644.09
Gain on disposal of assets (“-” denotes loss)	11,759,266.91	1,605,314.49
III. Operating profit (“-” denotes loss)	-903,935,180.04	284,490,537.69
Plus: Non-operating income	940,805.30	1,093,429.33
Less: Non-operating expenses	3,138,190.06	10,202,739.60
IV. Total profit (“-” denotes total loss)	-906,132,564.80	275,381,227.42
Less: Income tax expenses	-211,491,182.14	1,378,726.69
V. Net profit (“-” denotes net loss)	-694,641,382.66	274,002,500.73
(I) Classification according to the continuity of operation:	-	-
1. Net profit from continuing operations (“-” denotes net loss)	-694,641,382.66	274,002,500.73
2. Net profit from discontinued operations (“-” denotes net loss)	-	-
(II) Classification according to ownership:	-	-
1. Net profit attributable to shareholders of the Company	-688,080,164.10	230,141,463.76
2. Profit or loss of minority interest	-6,561,218.56	43,861,036.97
VI. Net other comprehensive income after tax	-85,733,908.54	-150,576,277.41
Net other comprehensive income after tax attributable to shareholders of the Company	-85,733,908.54	-150,576,277.41
(1) Other comprehensive income that cannot be reclassified to profit and loss	-	-
(2) Other comprehensive income that will be reclassified to profit and loss	-85,733,908.54	-150,576,277.41
1. Exchange differences arising from translation of financial statements denominated in foreign currencies	-88,339,013.66	-155,319,427.95
2. Other comprehensive income that may be reclassified to profit and loss under the equity method	2,605,105.12	4,743,150.54
Other comprehensive income, net of tax attributable to minority interest		

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II. Financial Statements (Cont'd)

3. Consolidated income statement (Cont'd)

Item	First half of 2023	First half of 2022
VII. Total comprehensive income	-780,375,291.20	123,426,223.32
Total comprehensive income attributable to shareholders of the Company	-773,814,072.64	79,565,186.35
Total comprehensive income attributable to minority interest	-6,561,218.56	43,861,036.97
VIII. Earnings per share:	-	-
(I) Basic earnings per share	-0.250	0.064
(II) Diluted earnings per share	-0.250	0.064

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

4. Income statement of the Company

Unit: RMB

Item	First half of 2023	First half of 2022
I. Revenue	3,904,584,964.10	3,746,662,856.50
Less: Operating costs	3,746,877,337.08	3,381,230,045.73
Taxes and surcharges	19,988,361.19	14,470,073.85
Sales and distribution expenses	4,148,207.41	3,847,240.05
General and administrative expenses	51,547,136.68	89,156,653.40
Research and development expense	117,941,892.00	165,518,080.69
Finance expenses	125,869,235.74	210,696,803.24
Including: Interest expenses	245,995,158.97	333,394,473.97
Interest income	212,850,374.32	230,217,851.40
Plus: Other income	13,833,015.46	24,145,213.86
Investment income ("-" denotes loss)	55,178,952.64	237,259,432.75
Including: Investment income from associates and joint ventures	-2,829,947.39	-5,337,689.31
Gains on derecognition of financial assets measured at amortised cost ("-" denotes loss)	-22,621,312.74	-30,954,557.50
Gain on change in fair value ("-" denotes loss)	-	-
Credit impairment loss ("-" denotes loss)	-6,264,582.46	-722,675.75
Loss on impairment of assets ("-" denotes loss)	-	-
Gain on disposal of assets ("-" denotes loss)	9,745,045.43	172,652.98
II. Operating profit ("-" denotes loss)	-89,294,774.93	142,598,583.38
Plus: Non-operating income	451,184.77	61,000.00
Less: Non-operating expenses	1,912,008.53	3,003,746.82
III. Total profit ("-" denotes total loss)	-90,755,598.69	139,655,836.56
Less: Income tax expenses	-41,697,391.77	-15,843,567.25
IV. Net profit ("-" denotes net loss)	-49,058,206.92	155,499,403.81
(I) Net profit from continuing operations ("-" denotes net loss)	-49,058,206.92	155,499,403.81
(II) Net profit from discontinued operations ("-" denotes net loss)	-	-
V. Total comprehensive income	-49,058,206.92	155,499,403.81

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II. Financial Statements (Cont'd)

5. Consolidated cash flow statement

Unit: RMB

Item	First half of 2023	First half of 2022
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	12,654,981,362.62	16,841,914,152.37
Tax rebates received	109,519,774.17	697,745,590.84
Cash received relating to other operating activities	880,312,282.56	833,956,367.80
Subtotal of cash inflows from operating activities	13,644,813,419.35	18,373,616,111.01
Cash paid for goods and services	9,962,778,364.17	15,019,129,399.82
Cash paid to and for employees	667,506,780.80	721,958,063.20
Payments of taxes and surcharges	428,775,626.59	635,688,016.57
Cash paid relating to other operating activities	802,664,900.20	998,576,421.97
Subtotal of cash outflows from operating activities	11,861,725,671.76	17,375,351,901.56
Net cash flows from operating activities	1,783,087,747.59	998,264,209.45
II. Cash flows from investing activities:		
Cash received from investments	6,376,301.89	–
Cash received from investment income	1,730,212.77	4,740,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	147,784,119.60	3,921,115.56
Subtotal of cash inflows from investing activities	155,890,634.26	8,661,115.56
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	104,455,019.88	815,285,839.39
Net cash paid for acquisition of subsidiaries and other business units	4,934,751.03	–
Subtotal of cash outflows from investing activities	109,389,770.91	815,285,839.39
Net cash flows from investing activities	46,500,863.35	-806,624,723.83

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II. Financial Statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

Item	First half of 2023	First half of 2022
III. Cash flows from financing activities:		
Cash received from investments	–	400,000,000.00
Including: Cash received from subsidiaries from minority investment	–	400,000,000.00
Cash received from borrowings	17,765,551,073.77	17,740,613,294.18
Cash received relating to other financing activities	1,128,264,589.15	2,078,910,644.82
Subtotal of cash inflows from financing activities	18,893,815,662.92	20,219,523,939.00
Cash repayments of amounts borrowed	18,186,471,433.20	16,096,915,969.19
Cash paid for dividend and profit distribution or interest payment	853,357,265.46	1,053,952,956.06
Including: Dividend and profit paid by subsidiaries to minority shareholders	9,419,178.08	–
Cash paid relating to other financing activities	1,942,169,772.07	3,310,774,061.40
Subtotal of cash outflows from financing activities	20,981,998,470.73	20,461,642,986.65
Net cash flows from financing activities	-2,088,182,807.81	-242,119,047.65
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-58,096,458.38	24,169,806.97
V. Net increase in cash and cash equivalents	-316,690,655.25	-26,309,755.06
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,159,460,149.51	3,168,915,847.02
VI. Balance of cash and cash equivalents as at the end of the period	1,842,769,494.26	3,142,606,091.96

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II. Financial Statements (Cont'd)

6. Cash flow statement of the Company

Unit: RMB

Item	First half of 2023	First half of 2022
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	3,929,585,126.95	3,937,092,906.31
Tax rebates received	10,186,261.55	9,335,732.78
Cash received relating to other operating activities	244,461,863.48	268,488,989.46
Subtotal of cash inflows from operating activities	4,184,233,251.98	4,214,917,628.55
Cash paid for goods and services	3,646,421,670.77	3,559,003,036.92
Cash paid to and for employees	159,974,284.62	168,707,495.45
Payments of taxes and surcharges	23,767,270.65	146,897,297.11
Cash paid relating to other operating activities	222,463,991.65	255,001,227.95
Subtotal of cash outflows from operating activities	4,052,627,217.69	4,129,609,057.43
Net cash flows from operating activities	131,606,034.29	85,308,571.12
II. Cash flows from investing activities:		
Cash received from investments	6,376,301.89	—
Cash received from investment income	81,730,212.77	401,816,698.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	40,443,619.60	3,527,572.65
Subtotal of cash inflows from investing activities	128,550,134.26	405,344,270.71
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	19,406,565.34	12,870,064.02
Subtotal of cash outflows used in investing activities	19,406,565.34	12,870,064.02
Net cash flows from investing activities	109,143,568.92	392,474,206.69

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II. Financial Statements (Cont'd)

6. Cash flow statement of the Company (Cont'd)

Item	First half of 2023	First half of 2022
III. Cash flows from financing activities:		
Cash received from borrowings	10,014,688,564.21	10,531,501,508.20
Cash received relating to other financing activities	1,362,715,891.06	247,000,000.00
Subtotal of cash inflows from financing activities	11,377,404,455.27	10,778,501,508.20
Cash repayments of amounts borrowed	10,389,789,485.97	10,584,544,305.53
Cash paid for dividend and profit distribution or interest payment	242,860,355.63	320,363,139.80
Cash paid relating to other financing activities	438,804,497.05	307,022,816.27
Subtotal of cash outflows from financing activities	11,071,454,338.65	11,211,930,261.60
Net cash flows from financing activities	305,950,116.62	-433,428,753.40
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-3,138,503.82	6,179,448.15
V. Net increase in cash and cash equivalents	543,561,216.01	50,533,472.56
Plus: Balance of cash and cash equivalents as at the beginning of the period	233,971,948.99	893,454,314.56
VI. Balance of cash and cash equivalents as at the end of the period	777,533,165.00	943,987,787.12

II. Financial Statements (Cont'd)

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

Unit: RMB

Item	Share capital	Other equity instruments		Capital reserves	Equity attributable to owners of the Company		Surplus reserves	General risk provisions	Retained profit	Others	Subtotal	Minority interest	Total owners' equity		
		Preference shares	Bonds		Less: treasury shares	Other comprehensive income								Special reserves	
I. Balance as at the end of the prior year	2,979,742,200.00	-	996,000,000.00	-	5,361,200,322.29	128,780,100.00	-827,944,684.57	15,791,710.95	1,212,009,109.97	79,900,266.71	9,330,642,477.57	-	19,084,565,494.92	4,643,688,325.69	23,728,253,820.61
II. Balance as at the beginning of the year	2,979,742,200.00	-	996,000,000.00	-	5,361,200,322.29	128,780,100.00	-827,944,684.57	15,791,710.95	1,212,009,109.97	79,900,266.71	9,330,642,477.57	-	19,084,565,494.92	4,643,688,325.69	23,728,253,820.61
III. Changes in the period ("-" denotes decrease)	-	-	-	-27,467,521.92	-	-	-867,333,908.54	4,123,023.54	-	-688,080,164.10	-	-797,458,571.02	-15,990,386.64	-813,138,967.66	-780,375,291.20
(I) Total comprehensive income	-	-	-	-	-	-	-867,333,908.54	-	-	-688,080,164.10	-	-773,814,072.64	-6,561,218.56	-780,375,291.20	
(II) Capital paid in and reduced by owners	-	-	-	-27,467,521.92	-	-	-	-	-	-	-27,467,521.92	-	-27,467,521.92	-	
1. Amount of share-based payments recognized in owners' equity	-	-	-	-27,467,521.92	-	-	-	-	-	-	-27,467,521.92	-	-27,467,521.92	-	
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Distribution to shareholders (or owners)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(IV) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(V) Special reserves	-	-	-	-	-	-	-	4,123,023.54	-	-	4,123,023.54	-	4,123,023.54	-	
1. Withdraw in the period	-	-	-	-	-	-	-	13,373,517.00	-	-	13,373,517.00	-	13,373,517.00	-	
2. Used in the period (denotes in "+")	-	-	-	-	-	-	-9,250,493.46	-	-	-	-9,250,493.46	-	-9,250,493.46	-	
IV. Balance as at the end of the period	2,979,742,200.00	-	996,000,000.00	-	5,333,733,000.37	128,780,100.00	-907,674,603.11	19,914,734.49	1,212,009,109.97	79,900,266.71	8,702,662,313.47	-	18,287,406,823.90	4,627,707,929.05	22,915,114,852.95

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity (Cont'd)

Amounts for the prior year

Unit: RMB

Item	First half of 2022														
	Equity attributable to owners of the Company										Total owners' equity				
	Share capital	Preference shares	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit		Others	Subtotal	Minority interest	
I. Balance as at the end of the prior year	2,884,208,200.00	-	996,000,000.00	-	5,282,805,114.62	226,860,000.00	-445,582,729.36	-	1,212,009,109.97	76,825,916.60	9,210,372,613.81	-	19,089,718,227.64	3,457,050,907.26	22,546,829,134.90
Plus: Others	-	-	-	-	-5,547,014.21	-	-	-	-	-	83,754,039.05	-	28,207,078.84	-	28,207,078.84
II. Balance as at the beginning of the year	2,884,208,200.00	-	996,000,000.00	-	5,277,258,100.41	226,860,000.00	-445,582,729.36	-	1,212,009,109.97	76,825,916.60	9,294,126,706.86	-	19,117,965,306.48	3,457,050,907.26	22,575,036,213.74
III. Changes in the period ("-" denotes decrease)	-	-	-	-	22,826,801.91	-	-150,576,277.41	-	-	-	230,414,637.76	-	102,391,988.26	414,361,772.63	516,753,760.89
(I) Total comprehensive income	-	-	-	-	-	-	-150,576,277.41	-	-	-	230,414,637.76	-	79,565,186.35	44,038,337.32	123,603,773.67
(II) Capital paid in and reduced by owners	-	-	-	-	22,826,801.91	-	-	-	-	-	-	-	22,826,801.91	370,323,185.31	393,149,987.22
1. Ordinary shares paid by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	370,323,185.31	370,323,185.31
3. Amount of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance as at the end of the period	2,884,208,200.00	-	996,000,000.00	-	5,250,084,302.32	226,860,000.00	-596,159,006.77	-	1,212,009,109.97	76,825,916.60	9,524,988,170.82	-	19,220,377,594.74	3,871,42,679.89	23,091,789,914.63

II. Financial Statements (Cont'd)

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

Amounts for the period

Unit: RMB

Item	Other equity instruments					First half of 2023					Total owners' equity		
	Share capital	Preference shares	Perpetual Bonds	Others	Capital reserves	treasury shares	Less: comprehensive income	Other comprehensive income	Special reserves	Surplus reserves		Retained profit	Others
I. Balance as at the end of the prior year	2,979,742,200.00	-	995,000,000.00	-	5,147,225,041.11	128,780,100.00	-	-	2,066,138.15	1,199,819,528.06	3,121,934,271.16	-	13,318,007,078.46
II. Balance as at the beginning of the year	2,979,742,200.00	-	995,000,000.00	-	5,147,225,041.11	128,780,100.00	-	-	2,066,138.15	1,199,819,528.06	3,121,934,271.16	-	13,318,007,078.46
III. Changes in the period ("+" denotes increase)	-	-	-	-	-27,467,521.92	-	-	-	1,261,601.44	-	-65,980,906.92	-	-92,166,827.40
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-65,980,906.92	-	-65,980,906.92
(II) Capital paid in, and reduced by owners	-	-	-	-	-27,467,521.92	-	-	-	-	-	-	-	-27,467,521.92
1. Amount of share-based payments recognised in owners' equity	-	-	-	-	-27,467,521.92	-	-	-	-	-	-	-	-27,467,521.92
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	1,261,601.44	-	-	-	1,261,601.44
1. Withdraw in the period	-	-	-	-	-	-	-	-	1,284,902.41	-	-	-	1,284,902.41
2. Used in the period	-	-	-	-	-	-	-	-	-23,300.97	-	-	-	-23,300.97
IV. Balance as at the end of the period	2,979,742,200.00	-	995,000,000.00	-	5,119,757,519.19	128,780,100.00	-	-	3,327,739.59	1,199,819,528.06	3,055,953,364.24	-	13,225,820,251.08

II. Financial Statements (Cont'd)

8. Statement of changes in owners' equity of the Company (Cont'd)

Amounts for the prior year

Unit: RMB

Item	Other equity instruments				First half of 2022				Total owners' equity			
	Share capital	Preference shares	Perpetual Bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves		Surplus reserves	Retained profit	Others
i. Balance as at the end of the prior year	2,994,208,200.00	-	995,000,000.00	-	5,154,365,336.31	226,860,000.00	-	-	1,199,819,528.06	2,921,641,460.59	-	13,029,174,524.96
ii. Balance as at the beginning of the year	2,994,208,200.00	-	995,000,000.00	-	5,154,365,336.31	226,860,000.00	-	-	1,199,819,528.06	2,921,641,460.59	-	13,029,174,524.96
iii. Changes in the period ("-" denotes decrease)	-	-	-	-	-6,650,012.78	-	-	-	-	155,499,403.81	-	148,849,391.03
(i) Total comprehensive income	-	-	-	-	-	-	-	-	-	155,499,403.81	-	155,499,403.81
(ii) Capital paid in and reduced by owners	-	-	-	-	-6,650,012.78	-	-	-	-	-	-	-6,650,012.78
1. Amount of share-based payments recognised in owners' equity	-	-	-	-	-6,650,012.78	-	-	-	-	-	-	-6,650,012.78
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
iv. Balance as at the end of the period	2,994,208,200.00	-	995,000,000.00	-	5,147,715,323.53	226,860,000.00	-	-	1,199,819,528.06	3,077,140,864.40	-	13,177,823,915.99

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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 30 June 2023, the total share capital of the Company was 2,979,742,200 shares. For details, please refer to Note VII. 37.

The Company 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 affairs department, financial management department, capital management department, securities investment department, procurement department, audit department, and other departments.

The Company and its subsidiaries (the “Company”) are principally engaged in, among other things, processing and sale of paper products (including machine-made paper and paper board), paper making raw materials and machinery; generation and sale of electric power and thermal power; forestry, saplings growing, processing and sale of timber; manufacturing, processing and sale of wood products; and hotel service, and equipment financial and operating leasing, investment properties and property service etc.

The financial statements and notes thereto were approved at the sixth meeting of the tenth session of the board of directors of the Company (the “Board”) on 30 August 2023.

2. Scope of consolidation

Subsidiaries of the Company included in the scope of consolidation in 2023 totalled 79. For details, please refer to Note IX “Interest in other entities”. The scope of consolidation of the Company during the year had one more company included compared to the prior year. For details, please refer to Note VIII “Change in scope of consolidation”.

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IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

These financial statements are prepared in accordance with the accounting standards for business enterprises, the application guidelines thereof, interpretations and other related rules (collectively referred to as “ASBEs”) promulgated by the Ministry of Finance. In addition, the Company also discloses relevant financial information in accordance with the “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports” (revised in 2014) of the CSRC.

The financial statements are presented on a going concern.

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

2. Going concern

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

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in machine-made paper, electricity and heat, construction materials, paper making chemical products, processing of moulds, hotel management and other operations. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition, determination of performance progress and R&D expenses based on their actual production and operation characteristics pursuant to the requirements under the relevant ASBEs. For details, please refer to this Note V. 29 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 38 “Changes in significant accounting policies and accounting estimates”.

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

These financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Company as at 30 June 2023 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for the first half of 2023.

2. Accounting period

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

3. Operating cycle

The operating cycle of the Company lasts for 12 months.

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

4. Functional currency

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

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

(1) Business combination under common control

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

Business combinations involving entities under common control and achieved in stages

In the separate financial statements, the initial investment cost is calculated based on the shareholding portion of the assets and liabilities obtained and are measured at the carrying amounts as recorded by the party being merged at the combination date. The difference between the initial investment cost and the sum of the carrying amount of the original investment cost prior to the combination and the carrying amount of consideration paid for the combination is adjusted to the capital reserve (share capital premium/capital premium), if the capital reserve is not sufficient to absorb the difference, the excess difference shall be adjusted to retained earnings.

In the consolidated financial statements, the assets and liabilities of the party being merged that are obtained at the combination by the absorbing party shall be measured at the carrying value as recorded by the ultimate controlling party in the consolidated financial statements at combination date. The difference between the sum of the carrying value from original shareholding portion and the new investment cost incurred at combination date and the carrying value of net assets obtained at combination date shall be adjusted to capital reserve (share capital premium/capital premium), if the balance of capital reserve is not sufficient to absorb the differences, any excess is adjusted to retained earnings. The long-term investment prior to the absorbing party obtaining the control of the party being merged, the recognised profit or loss, comprehensive income and other change of owners' equity at the closer date of the acquisition date and combination date under common control shall separately offset the opening balance of retained earnings and profit or loss during comparative statements.

(2) Business combination not under common control

For business combinations involving entities not under common control, the cost for each combination is measured at the aggregate fair value at acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At acquisition date, the acquired assets, liabilities or contingent liabilities of acquiree are measured at their fair value.

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

5. Accounting treatment of business combinations under common control and not under common control (Cont'd)

(2) Business combination not under common control (Cont'd)

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill, and subsequently measured on the basis of its cost minus accumulative impairment provision; Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period after reassessment.

Business combinations involving entities not under common control and achieved in stages

In the separate financial statements, the initial investment cost of the investment is the sum of the carrying amount of the equity investment held by the entity prior to the acquisition date and the additional investment cost at the acquisition date. The disposal accounting policy of other comprehensive income related with equity investment prior to the acquisition date recognised under equity method shall be compliance with the method when the acquiree disposes the related assets or liabilities. Owners' equity due to the changes of other owners' equity other than the changes of net profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed of. If the equity investment held by the entity prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognised in other comprehensive income shall be transferred to retained earnings for current period when accounted for using cost method.

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

(3) Transaction fees attribution during business combination

The audit, legal, valuation advisory and other intermediary fees and other relevant administrative expenses arising from business combinations are recognised in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

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

6. Preparation of consolidated financial statements

(1) Scope of consolidation

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

(2) Basis for preparation of the consolidated financial statements

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

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

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

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

(3) Acquisition of non-controlling interests in subsidiaries

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

(4) Accounting treatment for loss of control over subsidiaries

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

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

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

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

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

(1) Joint operations

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

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

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

(2) Joint ventures

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

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

8. Standards for recognising cash and cash equivalents

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

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

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

(1) Foreign currency operations

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

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

(2) Translation of financial statements denominated in foreign currency

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

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

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

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

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

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

10. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

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

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

(2) Classification and measurement of financial assets

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

Financial assets measured at amortised cost

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

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

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

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

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

10. 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 at fair value through profit or loss:

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

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

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

Financial assets measured at fair value through profit or loss

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

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

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

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

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

10. 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 Company changes its business model for managing financial assets; otherwise, financial assets shall not be reclassified after initial recognition.

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

(3) Classification and measurement of financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities measured at amortised cost

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

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.

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

10. Financial instruments (Cont'd)

(3) Classification and measurement of financial liabilities (Cont'd)

Classification between financial liabilities and equity instruments (Cont'd)

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Company cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities.

Where a financial instrument must or may be settled with the Company's own equity instruments, the Company's own equity instruments used to settle such instrument should be considered as to whether it is as a substitute for cash or other financial assets or for the purpose of enabling the holder of the instrument to be entitled to the remaining interest in the assets of the issuer after deducting all of its liabilities. For the former, it is a financial liability of the Company; for the latter, it is the Company's own equity instruments.

(4) Fair value of financial instruments

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note V. 11.

(5) Impairment of financial assets

The Company makes provision for impairment based on expected credit losses (ECLs) on the following items:

Financial assets measured at amortised cost;

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

Contract assets as defined in the Accounting Standards for Business Enterprises No. 14 – Revenue;

Lease receivables;

Financial guarantee contracts (except those measured at fair value through profit or loss or formed by continuing involvement of transferred financial assets or the transfer does not qualify for derecognition).

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

10. Financial instruments (Cont'd)

(5) Impairment of financial assets (Cont'd)

Measurement of ECLs

ECLs are the weighted average of credit losses of financial instruments weighted by the risk of default. Credit losses refer to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows expected to be received, i.e. the present value of all cash shortages.

The Company takes into account reasonable and well-founded information such as past events, current conditions and forecasts of future economic conditions, and calculates the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to be received weighted by the risk of default.

The Company measures ECLs of financial instruments at different stages. If the credit risk of the financial instrument did not increase significantly upon initial recognition, it is at the first stage, and the Company makes provision for impairment based on the ECLs within the next 12 months; if the credit risk of a financial instrument increased significantly upon initial recognition but has not yet incurred credit impairment, it is at the second stage, and the Company makes provision for impairment based on the lifetime ECLs of the instrument; if the financial instrument incurred credit impairment upon initial recognition, it is at the third stage, and the Company makes provision for impairment based on the lifetime ECLs of the instrument.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that the credit risk did not increase significantly upon initial recognition, and makes provision for impairment based on the ECLs within the next 12 months.

Lifetime ECLs represent the ECLs resulting from all possible default events over the expected life of a financial instrument. The 12-month ECLs are the ECLs resulting from possible default events on a financial instrument within 12 months (or a shorter period if the expected life of the financial instrument is less than 12 months) after the balance sheet date, and is a portion of lifetime ECLs.

The maximum period to be considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk, including renewal options.

For the financial instruments at the first and second stages and with low credit risks, the Company calculates the interest income based on the book balance and the effective interest rate before deducting the impairment provisions. For financial instruments at the third stage, interest income is calculated based on the amortised cost after deducting impairment provisions made from the book balance and the effective interest rate.

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

10. Financial instruments (Cont'd)

(5) Impairment of financial assets (Cont'd)

Bills receivable, accounts receivable and contract assets

For bills receivable, accounts receivable and contract assets, regardless of whether there is a significant financing component, the Company always makes provision for impairment at an amount equal to lifetime ECLs.

When the Company is unable to assess the information of ECLs for an individual financial asset at a reasonable cost, it classifies bills receivable and accounts receivable into portfolios based on the credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Bills receivable

Bills receivable portfolio 1: Bank acceptance bills

Bills receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

Accounts receivable portfolio 1: Due from related party customers

Accounts receivable portfolio 2: Due from non-related party customers

Accounts receivable portfolio 3: Factoring receivables

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

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

Other receivables

The Company classifies other receivables into portfolios based on credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

Other receivables portfolio 1: Amount due from government authorities

Other receivables portfolio 2: Amount due from related parties

Other receivables portfolio 3: Other receivables

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

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

10. Financial instruments (Cont'd)

(5) Impairment of financial assets (Cont'd)

Long-term receivables

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

The Company classifies the finance lease receivables, deposits receivable and other receivables into portfolios based on the credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Finance lease receivables

Finance lease receivables portfolio 1: Receivables not past due

Finance lease receivables portfolio 2: Overdue receivables

B. Other long-term receivables

Other long-term receivables portfolio 1: Deposits receivable

Other long-term receivables portfolio 2: Other receivables

For deposits receivable and receivables for construction projects, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, and calculates the ECLs based on default risk exposure and lifetime ECL rate.

Except for those of finance lease receivables and deposits receivable, the ECLs of other receivables and long-term receivables classified as a portfolio are measured based on default risk exposure and ECL rate over the next 12 months or the entire lifetime.

Debt investments and other debt investments

For debt investments and other debt investments, the Company measures the ECLs based on the nature of the investment, the types of counterparty and risk exposure, and default risk exposure and ECL rate within the next 12 months or the entire lifetime.

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

10. Financial instruments (Cont'd)

(5) Impairment of financial assets (Cont'd)

Assessment of significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly upon initial recognition, the Company compares the risk of default of the financial instrument at the balance sheet date with that at the date of initial recognition to determine the relative change in risk of default within the expected lifetime of the financial instrument.

In determining whether the credit risk has increased significantly upon initial recognition, the Company considers reasonable and well-founded information, including forward-looking information, which can be obtained without unnecessary extra costs or efforts. Information considered by the Company includes:

The debtor's failure to make payments of principal and interest on their contractually due dates;

An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);

An actual or expected significant deterioration in the operating results of the debtor;

Existing or expected changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the Company assesses whether there has been a significant increase in credit risk on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on their common credit risk characteristics, such as past due information and credit risk ratings.

The Company determines that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At balance sheet date, the Company assesses whether financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

Significant financial difficulty of the issuer or debtor;

A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;

For economic or contractual reasons relating to the debtor's financial difficulty, the Company having granted to the debtor a concession that would not otherwise consider;

It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

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

10. Financial instruments (Cont'd)

(5) Impairment of financial assets (Cont'd)

Presentation of provisions for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk upon initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss for the current period. For financial assets measured at amortised cost, the provisions of impairment is deducted from the carrying amount of the financial assets presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company makes provisions of impairment in other comprehensive income without reducing the carrying amount of the financial asset.

Write-offs

The book balance of a financial asset is directly written off to the extent that there is no realistic prospect of recovery of the contractual cash flows of the financial asset (either partially or in full). Such write-off constitutes derecognition of such financial asset. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

If a write-off of financial assets is subsequently recovered, the recovery is credited to profit or loss in the period in which the recovery occurs.

(6) Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to another party other than the issuer of such financial assets (the transferee).

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the financial asset shall be derecognised. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the financial asset shall not be derecognised.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows: if the Company does not retain control, it derecognises the financial asset and recognises any resulting assets or liabilities; if the control over the financial asset is not waived, the relevant financial asset is recognised according to the extent of its continuing involvement in the transferred financial asset and the relevant liability is recognised accordingly.

(7) Offset of financial assets and financial liabilities

If the Company owns the legitimate rights of offsetting the recognised financial assets and financial liabilities, which are enforceable currently, and the Company plans to realise the financial assets or to clear off the financial liabilities on a net amount basis or simultaneously, the net amount of financial assets and financial liabilities shall be presented in the balance sheet upon offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

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

11. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures the relevant asset and liability at fair value, based on the presumption that the orderly transaction to sell the asset or transfer the liability takes place either in the principal market for the relevant asset or liability, or in the absence of a principal market, in the most advantageous market for relevant the asset or liability. The principal or the most advantageous market must be a trading market accessible by the Company at the measurement date. The Company adopts the presumption that market participants would use when pricing the asset or liability in their best economic interest.

If there exists an active market for a financial asset or financial liability, the Company uses the quotation on the active market as its fair value. If the market for a financial instrument is inactive, the Company uses valuation technique to recognise its fair value.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Company adopts valuation techniques that are appropriate in the current circumstance and for which sufficient data and other information are available, prioritises the use of relevant observable inputs and uses unobservable inputs only under the circumstances where such relevant observable inputs cannot be obtained or practicably obtained.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities obtainable at the measurement date. Level 2: observable inputs for the relevant asset or liability, either directly or indirectly, except for Level 1 input. Level 3: unobservable inputs for the relevant assets or liability.

At each balance sheet date, the Company reassesses assets and liabilities measured at fair value that are recognised in the financial statements on a recurring basis to determine whether transfers have occurred between fair value measurement hierarchy levels.

12. Inventories

(1) Classification of inventories

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

(2) Pricing of inventories dispatched

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

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

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

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

12. Inventories (Cont'd)

(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 Company usually make provision for inventory impairment based on categories of inventories. At the balance sheet date, in case the factors causing inventory impairment no longer exists, the original provision for inventory impairment shall be reversed.

(4) Inventory stock taking system

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

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

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

Packaging materials for turnover are amortised when issued for use.

13. Long-term equity investments

Long-term equity investments include the equity investments in subsidiaries, joint ventures and associates. Associates of the Company are those investees that the Company imposes significant influence over.

(1) Determination of initial investment cost

Long-term equity investments acquired through business combinations: for a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of the owners' equity under the consolidated financial statements of the ultimate controlling party on the date of combination. For a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost of the long-term equity investment shall be the cost of combination.

Long-term equity investments acquired through other means: for a long-term equity investment acquired by cash payment, the initial investment cost shall be the purchase cost actually paid; for a long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of equity securities issued.

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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

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 Company.

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

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

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

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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)

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

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

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

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

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

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

(4) Impairment test method and impairment provision

For the method for making impairment provision for the investment in subsidiaries, associates and joint ventures, please refer to Note V. 22.

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

14. Investment property

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. The investment property of the Company includes leased land use rights, land use rights held for sale after appreciation, and leased buildings.

The investment property of the Company is measured initially at cost upon acquisition, and subject to depreciation or amortisation in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

For the method for making impairment provision for the investment property adopted cost method for subsequent measurement, please refer to Note V. 22.

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 of fixed assets

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

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

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

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

(2) Depreciation method by category of fixed assets

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

Category	Useful lives of depreciation (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building structure	20-40	5-10	2.25-4.75
Machinery and equipment	8-20	5-10	4.50-11.88
Transportation equipment	5-8	5-10	11.25-19.00
Electronic equipment and others	5	5-10	18.00-19.00

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

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

15. Fixed assets (Cont'd)

- (3) The impairment test method and impairment provision method of the fixed assets are set out in Note V. 22.
- (4) The Company will review the useful lives, estimated net residual value and depreciation method of the fixed assets at the end of each year.

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

(5) Disposal of fixed assets

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

16. Construction in progress

Construction in progress of the Company is recognised based on the actual construction cost, including all necessary expenditures incurred for construction projects, capitalised borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period.

A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

The method for impairment provision of construction in progress is set out in Note V. 22.

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. 22.

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

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

18. Borrowing costs

(1) Recognition principle for the capitalisation of the borrowing costs

The borrowing costs incurred by the Company directly attributable to the acquisition, construction or production of a qualifying asset will be capitalised and included in the cost of relevant asset. Other borrowing costs will be recognised as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period. When the borrowing costs meet all the following conditions, capitalisation shall be started:

- ① The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest-bearing liabilities for acquiring, constructing or producing the qualifying assets;
- ② The borrowing costs have been incurred;
- ③ The acquisition, construction or production activity necessary for the asset to be ready for its intended use or sale has been started.

(2) Capitalisation period of borrowing costs

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

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

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

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

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

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

19. Biological assets

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

The management, protection and feeding costs of a biological asset subsequent to crown closure or after the asset is ready for its intended production and operation are expensed and recognised in profit or loss as incurred.

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

Type of bearer biological assets	Useful life (year)	Estimated residual value	Annual depreciation rate
Tea tree	10	5%	9.50%

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

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

The method for impairment provision of bearer biological assets is set out in Note V. 22.

20. Right-of-use assets

(1) Conditions for recognition of right-of-use assets

Right-of-use assets are defined as the right of underlying assets in the lease term for the Company as a lessee.

Right-of-use assets are initially measured at cost at the commencement date of the lease. The cost includes the amount of the initial measurement of lease liability; lease payments made at or before the inception of the lease less any lease incentives enjoyed; initial direct costs incurred by the Company as lessee; costs to be incurred in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease incurred by the Company as lessee. As a lessee, the Company recognises and measures the costs of dismantling and restoration in accordance with the Accounting Standard for Business Enterprises No. 13 – Contingencies. Subsequently, the lease liability is adjusted for any remeasurement of the lease liability.

(2) Depreciation method of right-of-use assets

The Company uses the straight-line method for depreciation. Where the Company, as a lessee, is reasonably certain to obtain ownership of the leased asset at the end of the lease term, such asset is depreciated over the remaining useful life of the leased asset. Where ownership of the lease assets during the lease term cannot be reasonably determined, right-of-use assets are depreciated over the lease term or the remainder of useful lives of the lease assets, whichever is shorter.

(3) For the methods of impairment test and impairment provision of right-of-use assets, please refer to Note V. 22.

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

21. Intangible assets

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

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

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

Type	Useful life	Method of amortisation	Remark
Land use rights	50-70	Straight-line method	
Software	5-10	Straight-line method	
Patents	5-20	Straight-line method	
Certificates of third party right	3	Straight-line method	

The Company reviews the useful life and amortisation method of the intangible assets with finite useful life at the end of each year. If it is different from the previous estimates, the original estimates will be adjusted, and will be treated as a change in accounting estimate.

If it is estimated on the balance sheet date that certain intangible asset can no longer bring future economic benefit to the company, the carrying amount of the intangible asset will be entirely transferred into the profit or loss for the current period.

The impairment method for the intangible assets is set out in Note V. 22.

22. Long-term asset impairment

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

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

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

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

22. Long-term asset impairment (Cont'd)

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

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

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

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

23. Long-term prepaid expenses

The long-term prepaid expenses incurred by the Company shall be recognised based on the actual cost, and evenly amortised over the estimated benefit period. For the long-term prepaid expense that cannot benefit the subsequent accounting periods, its value after amortisation shall be entirely included in the profit or loss for the current period.

24. Contract liabilities

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

25. 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, family members of deceased employees and other beneficiaries.

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

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

25. Employee benefits (Cont'd)

(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.

(3) Post-employment benefits

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

Defined contribution plans

Defined contribution plans include basic pension insurance and unemployment insurance.

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

Defined benefit plans

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

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

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

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

25. Employee benefits (Cont'd)

(4) Termination benefits

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

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

(5) Other long-term benefits

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

26. Provisions

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

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

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

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

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

27. Share-based payments and equity instruments

(1) Category of share-based payment

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

(2) Determination of fair value of equity instruments

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

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

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

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

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

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

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

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

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

28. Perpetual Bonds

(1) Classification of financial liabilities and equity instruments

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

(2) Accounting treatment of Perpetual Bonds

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

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

29. Revenue

(1) General principles

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

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

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

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

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

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

29. Revenue (Cont'd)

(1) General principles (Cont'd)

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

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

The Company's right to consideration in exchange for goods or services that the Company has transferred to customers (and such right depends on factors other than passage of time) is accounted for as contract assets, and contract assets are subject to impairment based on ECLs (Note V. 10(5)). The Company's unconditional right to receive consideration from customers (only depends on passage of time) is accounted for as accounts receivable. The Company's obligation to transfer goods or services to customers for which the Company has received or should receive consideration from customers is accounted for as contract liabilities.

Contract assets and contract liabilities under the same contract are presented on a net basis. Where the net amount has a debit balance, it is presented in "contract assets" or "other non-current assets" according to its liquidity. Where the net amount has a credit balance, it is presented in "contract liabilities" or "other non-current liabilities" according to its liquidity.

(2) Specific methods

Specific method for revenue recognition of machine-made paper business of the Company: in terms of domestic sales of machine-made paper, revenue is recognised when goods are delivered to the customers and such deliveries are confirmed; while in terms of overseas sales of machine-made paper, revenue is recognised on the day when goods are loaded on board and declared.

Specific method for recognition of finance lease income of the Company: according to the repayment schedule, the income is recognised by instalments according to the effective interest rate.

Specific method for recognition of revenue from real estate of the Company: revenue is recognised by amortising the property rental income on a straight-line basis over the lease term.

The specific method for the Company to recognise revenue from electricity and steam: the sales of steam and electricity by the Company are performance obligations performed at a point of time. For sales of electricity, the Company recognises revenue from sales of electricity based on the quantity of electricity delivered to customers every month at a price agreed in the contract. For sales of steam, the Company recognises revenue from sales of steam based on the amount of steam delivered to customers every month at a price agreed in the contract.

The specific method for the Company to recognise revenue from construction materials, moulds and paper chemicals: revenue is recognised when goods are delivered to the customers and such deliveries are confirmed.

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

30. Contract costs

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

Incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. sales commission. The Company recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other ASBEs, the Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- ② the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- ③ the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates;
- ② the cost estimated to be happened for the transfer of related goods or services.

The costs of contract performance recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as “Inventories” item, and if the amortisation period is more than one year or a normal operating cycle upon the initial recognition, are presented as “other non-current assets” item.

The contract obtaining costs recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as “other current assets” item, and if the amortisation period is more than one year or a normal operating cycle upon the initial recognition, are presented as “other non-current assets” item.

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

31. Government grants

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

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

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

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

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the asset in a reasonable and systematic manner. For a government grant related to revenue, if the grant is a compensation for related costs, expenses or losses incurred, the grant shall be recognised in profit or loss for the current period or used to offset related costs; if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, the grant shall be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs, expenses or losses are recognised. A government grant measured at nominal amount is directly included in profit or loss for the current period. The Company adopts a consistent approach to the same or similar government grants.

A government grant related to daily activities is recognised in other gains or used to offset related costs relying on the essence of economic business; otherwise, recognised in non-operating income.

For the repayment of a government grant already recognised, if the carrying amount of relevant assets was written off at initial recognition, the carrying amount of the assets shall be adjusted; if there is any related deferred income, the repayment shall be offset against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; otherwise, the repayment shall be recognised immediately in profit or loss for the current period.

32. Deferred income tax assets/deferred income tax liabilities

Income tax comprises current income tax expense and deferred income tax expense, which are included in profit or loss for the current period as income tax expenses, except for deferred tax related to transactions or events that are directly recognised in owners' equity which are recognised in owners' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base at the balance sheet date of the Company shall be recognised as deferred income tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

32. Deferred income tax assets/deferred income tax liabilities (Cont'd)

The Company recognises a deferred income tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected accordingly.

At the balance sheet date, the Company reviews the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

33. Lease

(1) Identification of leases

On the beginning date of the contract, the Company (as a lessee or lessor) assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use. If a contract conveys the right to control the use of an identified asset and multiple identified assets for a period of time in exchange for consideration, the Company identifies such contract is, or contains, a lease.

(2) The Company as lessee

On the beginning date of the lease, the Company recognises right-of-use assets and lease liabilities for all leases, except for short-term lease and low-value asset lease with simplified approach.

The accounting policy for right-of-use assets is set out in Note V. 20.

The lease liability is initially measured at the present value of the lease payments that are not paid at the beginning date of the lease using the interest rate implicit in the lease. Where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments include fixed payments and in-substance fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating; and amounts expected to be payable by the lessee under residual value guarantees. Subsequently, the interest expense on the lease liability for each period during the lease term is calculated using a constant periodic rate of interest and is recognised in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are recognised in profit or loss for the period in which they actually arise.

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

33. Lease (Continued)

(2) The Company as lessee (Continued)

Short-term lease

Short-term leases refer to leases with a lease term of less than 12 months from the commencement date, except for those with a purchase option.

Lease payments on short-term leases are recognised in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

For short-term leases, the Company chooses to adopt the above simplified approach for the following types of assets that meet the conditions of short-term lease according to the classification of leased assets.

Low-value equipment

Transportation vehicles

Low-value asset lease

A low-value asset lease is a lease that the value of a single leased asset is below RMB40,000 when it is a new asset.

Lease payments on low-value asset leases are recognised on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

For a low-value asset lease, the Company chooses the above simplified approach based on the specific circumstances of each lease.

Lease modification

The Company accounts for a lease modification as a separate lease when the modification occurs and the following conditions are met: ① the lease modification expands the scope of lease by adding the right to use one or more of the leased assets; and ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Company reallocates the consideration of the modified contract, reassesses the lease term and remeasures the lease liability based on the present value of the lease payments after the modification and the revised discount rate.

If a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the carrying amount of the right-of-use asset accordingly and includes in the profit or loss for the period the gain or loss associated with the partial or complete termination of the lease.

Where other lease modifications result in a remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use asset accordingly.

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

33. Lease (Continued)

(3) The Company as lessor

When the Company is a lessor, a lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All leases other than financial leases are classified as operating leases.

Finance leases

Under finance leases, the Company accounts for finance lease receivables at the beginning of the lease term at the net lease investment, which is the sum of the unsecured residual value and the present value of the lease receipts outstanding at the commencement date of the lease, discounted at the interest rate implicit in the lease. The Company as lessor calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate. Variable lease payments acquired by the Company as lessor that are not included in the net measurement of lease investments are included in profit or loss for the period when they are actually incurred.

Derecognition and impairment of finance lease receivables are accounted for in accordance with the requirements under the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets.

Operating lease

Lease payments under operating leases are recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in relation to operating leases are capitalised and amortised over the lease term on the same basis as rental income and recognised in profit or loss for the current period. The variable lease payments obtained in relation to operating leases that are not included in the lease payments are recognised in profit or loss in the period in which they actually incurred.

Lease modification

The Company accounts for a modification in an operating lease as a new lease from the effective date of the modification and the amount of lease receipts received in advance or receivable in respect of the lease prior to the modification is treated as a receipt under the new lease.

The Company accounts for a modification in a finance lease as a separate lease when the change occurs and the following conditions are met: ① the modification expands the scope of lease by adding the right to use one or more of the leased assets; and ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a finance lease is modified and not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances: ① If the modification takes effect on the lease commencement date, the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and use the net lease investment before the effective date of the lease modification; ② If the modification takes effect on the lease commencement date, the lease will be classified as a finance lease, and the Company will conduct accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on modifying or renegotiating contracts.

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

33. Lease (Continued)

(4) Sublease

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

(5) Sale and leaseback

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

Where asset transfer under the sale and leaseback transactions is a sale, the lessee shall measure the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognise relevant profit or loss for the right transferred to the lessor. The lessor shall account for the purchase of assets in accordance with other applicable ASBEs and account for the lease of assets in accordance with this standard.

Where asset transfer under the sale and leaseback transactions is not a sale, the lessee shall continue to recognise the transferred assets while recognising a financial liability equal to the transfer income and account for such liability according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; or not to recognise the transferred assets but recognise a financial asset equal to the transfer income and account for such asset according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

34. Production safety expenses

According to relevant provisions, the Company makes provisions for production safety expenses based on the revenue of the power plant in the previous year and the prescribed percentages. The specific provisions are as follows: ① if the revenue of the previous year did not exceed RMB10 million, provisions would be made at 3%; ② if the revenue of the previous year exceeded RMB10 million but did not exceed RMB100 million, provisions would be made at 1.5%; ③ if the revenue of the previous year exceeded RMB100 million but did not exceed RMB1,000 million, provisions would be made at 1%; ④ if the revenue of the previous year exceeded RMB1,000 million but did not exceed RMB5,000 million, provisions would be made at 0.8%; ⑤ if the revenue of the previous year exceeded RMB5,000 million but did not exceed RMB10,000 million, provisions would be made at 0.6%; ⑥ if the revenue of the previous year exceeded RMB10,000 million, provisions would be made at 0.2%.

Provisions for production safety expenses are included in the cost of related products or profit or loss of the current period and included in “special reserves” correspondingly.

When the provisions for production safety expenses and maintenance costs are utilised within the prescribed scope, if such production safety expenses are applied and related to revenue expenditures, specific reserve is directly offset. When fixed assets are incurred, they are included in the “construction in progress” item and transferred to fixed assets when the status of the assets is ready for intended use. They are then offset against specific reserve based on the amount included in fixed assets while corresponding amount is recognised in accumulated depreciation. Such fixed assets are no longer depreciated in subsequent periods.

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

35. Repurchase of shares

Prior to cancellation or transfer of shares repurchased, the Company recognises all expenditures arising from share repurchase as cost of treasury shares in the treasury share account. Considerations and transaction fee incurred from the repurchase of shares shall lead to the elimination of owners' equity and does not recognise profit or loss when shares of the Company are repurchased, transferred or cancelled.

The difference between the actual amount received and the carrying amount of the treasury shares are recognised as capital reserve when the treasury shares are transferred, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and retained profit. When the treasury shares are cancelled, the capital shall be eliminated according to the number of shares and par value of cancelled shares, the difference between the actual amount received and the carrying amount of the treasury shares are recognised as capital reserve, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and retained profit.

36. Restricted shares

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

37. Critical accounting judgments and estimates

The Company gives continuous assessment on, among other things, the reasonable expectations of future events and the critical accounting estimates and key assumptions adopted according to its historical experience and other factors. The critical accounting estimates and key assumptions that are likely to lead to significant adjustment risks of the carrying amount of assets and liabilities for the next financial year are listed as follows:

Classification of financial assets

Significant judgements involved in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

Factors considered by the Company in determining the business model for a group of financial assets include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how the relevant management personnel are compensated.

When the Company assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost. For example, whether the amount repaid in advance reflects only the outstanding principal and interest thereon, as well as reasonable compensation paid for early termination of the contract.

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

37. Critical accounting judgments and estimates (Continued)

Measurement of the ECLs of accounts receivable

The Company calculates the ECLs of accounts receivable using the exposure to default risk and ECL rate of accounts receivable, and determines the ECL rate based on default probability and default loss rate. When determining the ECL rate, the Company adjusts its historical data by referring to information such as historical credit loss experience as well as current situation and forward-looking information. When considering the forward-looking information, indicators used by the Company include the risk of economic downturn, external market environment, technology environment and changes in customers. The assumptions relating to the ECL calculation are monitored and reviewed by the Company on a regularly basis.

Impairment of goodwill

The Company assesses the impairment of goodwill at least annually, which requires estimates on the use value of asset groups allocated with goodwill. When estimating use value, the Company is required to estimate the future cash flow from such asset groups while selecting the appropriate discount rate to calculate the present value of future cash flow.

Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-based payments

When calculating the liabilities and expenses related to the equity incentive plan, the management of the Company is required to make judgments and estimates on issues such as the turnover rate and vesting conditions. Differences in the judgments and estimates will have a material effect on the financial statements.

38. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

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

(2) Changes in significant accounting estimates

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

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VI. Taxation

1. Main tax types and tax rates

Tax type	Tax Base	Tax rate
Value added tax (VAT)	VAT payable (VAT payable is calculated by multiplying taxable sales amount by the applicable tax rate less current deductible input VAT)	13/9/6
Property tax	Rental income and property price	1.2/12
Urban maintenance and construction tax	Turnover tax payable	7
Enterprise income tax (EIT)	Taxable income	25

Disclosure of taxable entities subject to different EIT tax rates

Name of taxable entity	EIT tax rate
Shandong Chenming Paper Holdings Limited	15
Shouguang Meilun Paper Co., Ltd.	15
Jilin Chenming Paper Co., Ltd.	15
Jiangxi Chenming Paper Co., Ltd.	15
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15
Huanggang Chenming Pulp & Paper Co., Ltd.	15
Kunshan Tuoan Plastic Products Co., Ltd.	15
Shouguang Xinyuan Coal Co., Ltd.	20
Shouguang Chenming Papermaking Machine Co., Ltd.	20
Shouguang Wei Yuan Logistics Company Limited	20
Shouguang Shun Da Customs Declaration Co., Ltd.	20
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Nanchang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Chenming Arboriculture Co., Ltd.	Exempt from EIT
Yangjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT

VI. Taxation (Continued)

2. Tax incentives

(1) Enterprise income tax

On 15 December 2021, the Company received a high and new technology enterprise certificate with a certification number of GR202137005666. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, the Company is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202137005468 on 15 December 2021. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202222000414 on 29 November 2022. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jilin Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2022 to 2024.

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202236000018 on 4 November 2022. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jiangxi Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2022 to 2024.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202144001212 on 20 December 2021. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Zhanjiang Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2021 to 2023.

Huanggang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202042001471 on 1 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Huanggang Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Kunshan Tuoan Plastic Products Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202032004526 on 2 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Kunshan Tuoan is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Pursuant to the requirements of Rule 27(1) of Law of the People's Republic of China on Enterprise Income Tax and Rule 86(1) of regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd., Yangjiang Chenming Arboriculture Development Co., Ltd., Nanchang Chenming Arboriculture Development Co., Ltd. and Chenming Arboriculture Co., Ltd., which are the subsidiaries of the Company, have completed the filings for EIT reduction for exemption from EIT.

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VI. Taxation (Continued)

2. Tax incentives (Continued)

(1) Enterprise income tax (Continued)

Shouguang Xinyuan Coal Co., Ltd., Shouguang Chenming Papermaking Machine Co., Ltd., Shouguang Wei Yuan Logistics Company Limited and Shouguang Shun Da Customs Declaration Co, Ltd., which are subsidiaries of the Company, are small and micro enterprises. Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Business (Cai Shui [2021] No. 12) and the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises (Cai Shui [2022] No. 13), the annual taxable income of a small low-profit enterprise that is less than RMB1 million shall be included in its taxable income at a reduced rate of 12.5%, with the applicable enterprise income tax rate of 20%. The annual taxable income of a small low-profit enterprise that is more than RMB1 million but not exceeding RMB3 million shall be included in its taxable income at a reduced rate of 25%, with the applicable enterprise income tax rate of 20%.

Guangdong Chenming Panels Co., Ltd., a subsidiary of the Company, meets the requirements of Rule 99 of the Regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax (Decree No. 512 of the State Council of the People's Republic of China) and the Announcement of the Ministry of Finance and the State Administration of Taxation on Improvement of the Value-added Tax Policy for the Comprehensive Utilisation of Resources (Cai Shui [2021] No. 40): 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. To be entitled to the above tax benefits, the ratio of the resources listed in the Catalogue and the raw materials used for the product shall be consistent with the required technical standards stated in the Catalogue.

(2) Value-added Tax ("VAT")

Pursuant to Rule 10 of the Interim Regulation of the People's Republic of China on Value Added Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd., Yangjiang Chenming Arboriculture Development Co., Ltd., Nanchang Chenming Arboriculture Development Co., Ltd. and Chenming Arboriculture Co., Ltd., which are subsidiaries of the Company, are exempt from VAT, and have completed the filings for VAT reduction for exemption from VAT.

VII. Notes to Items of the Consolidated Financial Statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	3,577,158.84	3,491,219.08
Bank deposit	1,839,192,335.42	2,155,968,930.43
Other monetary funds	11,912,761,370.57	11,840,974,836.57
Total	13,755,530,864.83	14,000,434,986.08
Of which: Total deposits in overseas banks	334,092,239.78	593,378,097.70
Total restricted amount due to mortgages, pledges or freezes	11,853,449,355.40	11,756,140,645.56

Other explanations:

- ① Other monetary funds of RMB8,797,013,971.15 were the guarantee deposit for the application for bank acceptance with the banks by the Company;
- ② Other monetary funds of RMB2,657,225,384.25 were the guarantee deposit for the application for letter of credit with the banks by the Company;
- ③ Other monetary funds of RMB322,500,000.00 were the guarantee deposit for the application for guarantees with the banks by the Company;
- ④ Other monetary funds of RMB76,710,000.00 were the Company's statutory reserve deposits at the People's Bank of China;
- ⑤ Other monetary funds included accrued interest of RMB59,312,015.17.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	50,433,870.59	74,708,444.88
Of which:		
Investment in equity instruments	50,433,870.59	74,708,444.88
Total	50,433,870.59	74,708,444.88

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

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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	Percentage		Amount	Percentage	Amount	Percentage	
		(%)		(%)			(%)		(%)	
Accounts receivable assessed individually for bad debt provision	221,531,626.66	6.49	221,531,626.66	100.00		226,667,597.47	6.13	226,667,597.47	100.00	
Accounts receivable assessed collectively for bad debt provision	3,193,714,088.42	93.51	247,560,117.31	7.75	2,946,153,971.11	3,473,893,247.32	93.87	261,632,801.36	7.53	3,212,260,445.96
Of which:										
Due from related party customers	6,494,662.96	0.19	6,756.49	0.10	6,487,906.47	8,639,295.98	0.23	1,775,510.01	20.55	6,863,785.97
Due from non-related party customers	1,852,451,198.85	54.24	49,073,801.39	2.65	1,803,377,397.46	2,081,296,530.28	56.24	52,357,160.25	2.52	2,028,939,370.03
Factoring receivables	1,334,768,226.61	39.08	198,479,559.43	14.87	1,136,288,667.18	1,383,957,421.06	37.40	207,500,131.10	14.99	1,176,457,289.96
Total	3,415,245,715.08	100.00	469,091,743.97	13.74	2,946,153,971.11	3,700,560,844.79	100.00	488,300,398.83	13.20	3,212,260,445.96

Items assessed individually for bad debt provision:

Unit: RMB

Name	Book balance	Closing balance		Provision reason
		Bad debts provision	Provision percentage (%)	
Hengfeng Hongyuan Real Estate Holdings Co., Ltd.	45,493,811.40	45,493,811.40	100.00	Long outstanding
Ningxia Lingwu Baota Dagu Storage and Transportation Co., Ltd.	27,600,000.00	27,600,000.00	100.00	Long outstanding
Foshan Shunde Xingchen Paper Co., Ltd.	26,236,528.70	26,236,528.70	100.00	Long outstanding
Zhengzhou Hongyang Paper Products Co., Ltd.	14,933,432.93	14,933,432.93	100.00	Long outstanding
Shandong Bisheng Printing Materials Co., Ltd.	14,813,369.27	14,813,369.27	100.00	Long outstanding
Henan Yibang Technology Trading Co., Ltd.	13,396,601.22	13,396,601.22	100.00	Long outstanding
90 companies including Shandong Yiming New Material Technology Corp Co., Ltd.	79,057,883.14	79,057,883.14	100.00	Long outstanding
Total	221,531,626.66	221,531,626.66	100.00	

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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 bad debt provision: Due from related party customers

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage (%)
Within 1 year	6,494,662.96	6,756.49	0.10
Total	6,494,662.96	6,756.49	0.10

Items assessed collectively for bad debt provision: Receivables from non-related party customer

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage (%)
Within 1 year	1,742,600,457.64	8,196,561.59	0.47
1 to 2 years	49,846,903.41	8,433,176.68	16.92
2 to 3 years	2,788,682.14	1,217,451.72	43.66
Over 3 years	57,215,155.66	31,226,611.40	54.58
Total	1,852,451,198.85	49,073,801.39	2.65

Items assessed collectively for bad debt provision: Factoring receivables

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage (%)
Within 1 year	279,980,044.46	15,564,778.33	5.56
1 to 2 years	904,649,222.15	130,814,781.10	14.46
2 to 3 years			
Over 3 years	150,138,960.00	52,100,000.00	34.70
Total	1,334,768,226.61	198,479,559.43	14.87

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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
Within 1 year (including 1 year)	2,029,075,165.06
1 to 2 years	1,024,496,125.56
2 to 3 years	2,788,682.14
Over 3 years	358,885,742.32
Subtotal	3,415,245,715.08
Bad debts provision	469,091,743.97
Total	2,946,153,971.11

The basis used by the ageing analysis of the accounts receivable of the Company: the ageing of accounts receivable is the length of time of the Company's outstanding accounts receivable based on invoice date. The closing balance is recognised one by one from the end of the period onwards until the amounts add up to the balance. It is also broken up by intervals of within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years and over 5 years.

(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	
Bad debts provision	488,300,398.83	21,928,911.71	13,618,485.47	27,600,041.68	80,960.58	469,091,743.97
Total	488,300,398.83	21,928,911.71	13,618,485.47	27,600,041.68	80,960.58	469,091,743.97

Explanation: Others represent the accounts receivable with provision for bad debts transferred from the merger of Jiangxi Chenming Port Co., Ltd.

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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

The total amount of top five accounts receivable based on closing balance of debtors for the period amounted to RMB1,128,033,226.63 in total, accounting for 33.03% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB116,908,685.72 in total.

Unit: RMB

Name of entity	Closing balance of accounts receivable	As a percentage of the closing balance of the total accounts receivable (%)	Closing balance of bad debt provision
Customer I	481,810,233.33	14.11	40,333,075.30
Customer II	222,656,666.64	6.52	24,596,930.88
Customer III	198,805,660.00	5.82	27,024,669.68
Customer IV	121,908,333.33	3.57	14,629,000.00
Customer V	102,852,333.33	3.01	10,325,009.86
Total	1,128,033,226.63	33.03	116,908,685.72

4. Accounts receivable financing

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	614,794,433.04	924,960,384.16
Total	614,794,433.04	924,960,384.16

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

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

5. Prepayments

(1) Presentation of prepayments according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	805,903,097.64	95.16%	749,904,460.45	95.14%
1 to 2 years	41,017,883.73	4.84%	38,287,166.37	4.86%
Total	846,920,981.37	100.00%	788,191,626.82	100.00%

(2) Top five prepayments based on closing balance of prepaid parties

The total amount of top five prepayments based on closing balance of prepaid parties for the period amounted to RMB379,724,428.05, accounting for 44.84% of the closing balance of the total prepayments.

Unit: RMB

Name of entity	Closing balance of prepayments	As a percentage of the closing balance of the total prepayments
Customer I	131,294,630.13	15.50%
Customer II	71,725,703.12	8.47%
Customer III	63,062,594.80	7.45%
Customer IV	60,929,500.00	7.19%
Customer V	52,712,000.00	6.22%
Total	379,724,428.05	44.84%

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	1,645,909,354.44	1,717,445,443.44
Total	1,645,909,354.44	1,717,445,443.44

(1) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	2,022,161,667.40	2,108,991,172.35
Reserve and borrowings	32,813,868.97	26,270,269.00
Guarantee deposit and deposit	12,109,761.41	12,230,367.80
Others	46,303,026.70	52,332,819.95
Total	2,113,388,324.48	2,199,824,629.10

(2) Particulars of bad debt provision

Unit: RMB

Bad debts provision	Stage 1	Stage 2	Stage 3	Total
	ECLs for the next 12 months	Lifetime ECLs (not credit-impaired)	Lifetime ECLs (credit-impaired)	
Balance as at 1 January 2023	73,559,281.09		408,819,904.57	482,379,185.66
Balance as at 1 January 2023 for the period				
– Transferred to stage 2				
– Transferred to stage 3				
– Reversed to stage 2				
– Reversed to stage 1				
Provision for the period	13,193,201.53		421,349.71	13,614,551.24
Reversal for the period	1,298,753.94		27,264,570.68	28,563,324.62
Transfer for the period				
Write-off for the period				
Other changes	48,557.76			48,557.76
Balance as at 30 June 2023	85,502,286.44		381,976,683.60	467,478,970.04

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

6. Other receivables (Cont'd)

(2) Particulars of bad debt provision (Cont'd)

Changes in carrying book balances with significant changes in loss provision for the period

Applicable Not applicable

Explanation: In 2023, the Company obtained control over Jiangxi Chenming Port Co., Ltd. Other changes in bad debt provision as described in the table above represent the balance of bad debt provision of such company at the acquisition date.

Disclosure by ageing

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	496,853,852.10
1 to 2 years	310,379,496.32
2 to 3 years	643,164,143.67
Over 3 years	662,990,832.39
Total	2,113,388,324.48

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debts provision	482,379,185.66	13,614,551.24	28,563,324.62		48,557.76	467,478,970.04
Total	482,379,185.66	13,614,551.24	28,563,324.62		48,557.76	467,478,970.04

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

6. Other receivables (Cont'd)

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

The total amount of top five accounts receivable based on closing balance of debtors for the period amounted to RMB1,258,260,155.89 in total, accounting for 59.52% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB266,924,822.62 in total.

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage to total closing balance of other receivables	Closing balance of bad debt provision
Customer I	Consideration for equity transfer	472,854,783.56	2 to 3 years, 3 to 4 years	22.37%	48,950,000.00
Customer II	Consideration for equity transfer	453,002,316.85	3 to 4 years	21.43%	140,010,695.06
Customer III	Consideration for equity transfer	143,940,305.63	1 to 2 years, 2 to 3 years	6.81%	64,773,137.54
Customer IV	Consideration for equity transfer	114,840,000.00	Within 1 year	5.43%	5,742,000.00
Customer V	Financial support and interest	73,622,749.85	Within 1 year, 1 to 2 years	3.48%	7,448,990.02
Total		1,258,260,155.89		59.52%	266,924,822.62

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		Book balance	Opening balance	
		Impairment provision for inventories or performance costs	Carrying amount		Impairment provision for inventories or performance costs	Carrying amount
Raw materials	1,894,223,179.82	18,068,973.64	1,876,154,206.18	2,488,652,200.15	18,096,641.64	2,470,555,558.51
Work-in-process products	133,398,598.07		133,398,598.07	111,248,779.69		111,248,779.69
Goods in stock	2,163,112,731.64	43,314,485.76	2,119,798,245.88	1,622,062,893.55	16,737,849.96	1,605,325,043.59
Developing costs	1,156,377,072.09		1,156,377,072.09	1,138,178,959.32		1,138,178,959.32
Consumable biological assets	1,492,153,527.46		1,492,153,527.46	1,496,607,818.84		1,496,607,818.84
Total	6,839,265,109.08	61,383,459.40	6,777,881,649.68	6,856,750,651.55	34,834,491.60	6,821,916,159.95

Note: Consumable biological assets are forestry assets.

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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	18,096,641.64			27,668.00		18,068,973.64
Goods in stock	16,737,849.96	43,314,485.76		16,737,849.96		43,314,485.76
Total	34,834,491.60	43,314,485.76		16,765,517.96		61,383,459.40

Basis for recognition of net realisable value: Net realisable value of goods in stock is recognised on the basis of the estimated selling price, net of related taxes and selling expenses. Basis for recognition of net realisable value: the estimated selling price of the target product, net of related taxes, selling expenses and costs to be incurred until completion.

Reversal or transfer of impairment provision for inventories during the period was due to: Impairment provision for inventories during the period due to the purchase of raw materials for which impairment provision had been made, and the sale of inventories for which impairment provision had been made.

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	3,852,470,167.90	3,998,724,415.85
Total	3,852,470,167.90	3,998,724,415.85

Explanations:

- ① Long-term receivables due within one year amounting to RMB3,736,417,788.05 (amount for the prior year: RMB3,920,915,510.01) were financial lease receivables;
- ② Long-term receivables due within one year amounting to RMB116,052,379.85 (amount for the prior year: RMB77,808,905.84) were deposits receivable.

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepaid expenses	332,730,125.13	241,313,507.50
Receivables under financial lease due within one year	328,065,332.45	340,546,803.50
Factoring receivables due within one year	274,708,276.63	298,446,276.63
Input tax amount to be deducted	90,137,290.97	141,038,575.79
Prepaid tax	70,252,896.53	92,806,690.76
Other payments	64,992,565.10	66,655,947.44
Total	1,160,886,486.81	1,180,807,801.62

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

10. Long-term receivables

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debts provision	Carrying amount	Book balance	Bad debts provision	Carrying amount	
Finance lease payments	6,349,305,959.96	1,305,082,476.71	5,044,223,483.25	6,739,718,184.27	1,302,116,713.90	5,437,601,470.37	4%-12%
Less: Unrealised financing income	173,784,123.48		173,784,123.48	271,455,622.37		271,455,622.37	
Equipment lease financing	382,214,607.49		382,214,607.49	351,446,696.64		351,446,696.64	
Less: Unrealised financing income	27,622,840.15		27,622,840.15	32,060,345.32		32,060,345.32	
Subtotal	6,530,113,603.82	1,305,082,476.71	5,225,031,127.11	6,787,648,913.22	1,302,116,713.90	5,485,532,199.32	
Less: Long-term receivables due within one year	4,910,948,881.99	1,058,478,714.09	3,852,470,167.90	5,075,152,713.36	1,076,428,297.51	3,998,724,415.85	
Total	1,619,164,721.83	246,603,762.62	1,372,560,959.21	1,712,496,199.86	225,688,416.39	1,486,807,783.47	

Particulars of bad debt provision impairment

Unit: RMB

Bad debts provision	Stage 1	Stage 2	Stage 3	Total
	ECLs for the next 12 months	Lifetime ECLs (not credit-impaired)	Lifetime ECLs (credit-impaired)	
Balance as at 1 January 2023	3,237,410.85		222,451,005.54	225,688,416.39
Balance as at 1 January 2023 for the period	3,237,410.85		222,451,005.54	225,688,416.39
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Provision for the period			21,450,269.72	21,450,269.72
Reversal for the period	98,613.99			98,613.99
Transfer for the period				
Write-off for the period				
Other changes	-436,309.50			-436,309.50
Balance as at 30 June 2023	2,702,487.36		243,901,275.26	246,603,762.62

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

Changes in carrying book balances with significant changes in loss provision for the period

Applicable Not applicable

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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			Closing balance (carrying amount)	Closing balance of impairment provision
					Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared		
I. Joint ventures									
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	7,892,659.42			1,025,474.67			1,100,000.00		7,818,134.09
Weifang Port Wood Chip Terminal Co., Ltd.	74,848,570.73			-3,915,613.06					70,932,957.67
Shouguang Meite Environmental Technology Co., Ltd.	8,921,843.88			9,656,629.58					18,578,473.46
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	2,359,998,661.67			-803,127.31					2,359,195,534.36
Weifang Xingxing United Chemical Co., Ltd.	91,874,385.12								91,874,385.12
Subtotal	2,543,536,120.82			5,963,363.88			1,100,000.00		2,548,399,484.70
II. Associates									
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	36,776,710.91		5,000,000.00	35,769.93					31,812,480.84
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	197,218,318.77			-3,089.85					197,215,228.92
Nanchang Tianchen Port Co., Ltd.		59,345,429.05		3,760,608.16			2,125,403.30		60,980,633.91
Goldtrust Futures Co., Ltd.	178,389,182.83			-177,137.24					178,212,045.59
Chenming (Qingdao) Asset Management Co., Ltd.	6,482,035.69			27,510.92					6,509,546.61
Guangdong Nanyue Bank Co., Ltd.	1,314,611,000.54			14,327,244.01	2,605,105.12				1,331,543,349.67
Subtotal	1,733,477,248.74	59,345,429.05	5,000,000.00	17,970,905.93	2,605,105.12		2,125,403.30		1,806,273,285.54
Total	4,277,013,369.56	59,345,429.05	5,000,000.00	23,934,269.81	2,605,105.12		3,225,403.30		4,354,672,770.24

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

12. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Investment in debt instruments	663,000,000.00	663,000,000.00
Investment in equity instruments	122,374,459.73	123,750,761.62
Total	785,374,459.73	786,750,761.62

13. Investment property

(1) Investment property under the cost method

√ Applicable □ Not applicable

Unit: RMB

Item	Housing and building structure	Total
I. Original carrying amount		
1. Opening balance	7,160,214,568.83	7,160,214,568.83
2. Increase during the period		
(1) Acquisition		
3. Decrease during the period	3,155,127.04	3,155,127.04
(1) Disposal	3,155,127.04	3,155,127.04
4. Closing balance	7,157,059,441.79	7,157,059,441.79
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	903,491,455.68	903,491,455.68
2. Increase during the period	99,749,771.43	99,749,771.43
(1) Provision or amortisation	99,749,771.43	99,749,771.43
3. Decrease during the period	506,304.34	506,304.34
(1) Disposal	506,304.34	506,304.34
4. Closing balance	1,002,734,922.77	1,002,734,922.77
III. Impairment provision		
1. Opening balance		
2. Increase during the period		
(1) Provision		
3. Decrease during the period		
(1) Disposal		
(2) Transferred due to debt restructuring		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	6,154,324,519.02	6,154,324,519.02
2. Opening carrying amount	6,256,723,113.15	6,256,723,113.15

VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

13. Investment property (Cont'd)

(1) Investment property under the cost method (Cont'd)

Note: Investment properties under the Company primarily include:

- ① Pujiang International Finance Plaza, located at No. 1098, Dongdaming Road, Hongkou District, Shanghai, is a long-term held office property of Shanghai Hongtai Real Estate Co., Ltd., a subsidiary of the Company, mainly used for external rental or office purposes;
- ② Jinan Chenming Finance Building (濟南晨鳴金融大廈), located in No. 7 Zone, Hanyu Financial Business Center, No. 7000, Jingshi Road, Jinan Innovation Zone, is a long-term held office property of Shandong Chenming Investment Limited, a subsidiary of the Company, mainly used for external rental or office purposes;
- ③ Fatum Apartment (法朵公寓), located at No. 463, Anbo Road, No. 22, Lane 467, Anbo Road, Yangpu District, Shanghai, is a long-term held apartment property of Shanghai Herui Investment Co., Ltd., a subsidiary of the Company, mainly used for external rental purposes;
- ④ Guangzhou Zhengjia Plaza (廣州正佳廣場), located at Room 3901-3926, No. 372, Huanshi East Road, Yuexiu District, Guangzhou, is a long-term held office property of Guangzhou Chenming Property Management Co., Ltd., a subsidiary of the Company, mainly used for external rental purposes;
- ⑤ Shenzhen Zhuoyue Baozhong Times Square (深圳卓越寶中時代廣場), located at Room 3201-3210, Building C, Zhuoyue Baozhong Times Square (Phase 2), Xin'an Sub-district, Bao'an District, Shenzhen, is a long-term held office property of Guangzhou Chenming Property Management Co., Ltd., a subsidiary of the Company, mainly used for external rental purposes.
- ⑥ Shanghai Xizang South Road shop, located at No. 518-528 Xizang South Road, Shanghai, is a long-term store held by Wuhan Junheng Property Management Co. Ltd., a subsidiary, mainly for external rental purposes.

(2) Investment property under the fair value method

Applicable Not applicable

14. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	32,705,962,616.97	33,527,978,754.73
Disposal of fixed assets	269,759,940.57	269,759,940.57
Total	32,975,722,557.54	33,797,738,695.30

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

14. Fixed assets (Cont'd)

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Vehicles	Electronic equipment and others	Total
I. Original carrying amount:					
1. Opening balance	10,286,809,124.89	43,106,182,009.60	288,801,665.32	400,465,471.75	54,082,258,271.56
2. Increase during the period	157,781,537.57	100,275,378.24	3,858,108.56	4,379,990.07	266,295,014.44
(1) Acquisition	6,680,702.78	67,294,320.85	1,865,070.94	3,954,275.14	79,794,369.71
(2) Transferred from construction in progress	2,816,881.40	30,148,765.87			32,965,647.27
(3) Increase due to business combination	148,283,953.39	2,832,291.52	1,993,037.62	425,714.93	153,534,997.46
3. Decrease during the period	14,572,261.40	14,975,053.02	496,759.27	2,507,761.56	32,551,835.25
(1) Disposal or retirement	14,572,261.40	14,975,053.02	496,759.27	2,507,761.56	32,551,835.25
4. Closing balance	10,430,018,401.06	43,191,482,334.82	292,163,014.61	402,337,700.26	54,316,001,450.75
II. Accumulated depreciation					
1. Opening balance	2,329,752,339.57	17,561,160,193.98	200,474,107.77	258,849,412.20	20,350,236,053.52
2. Increase during the period	173,982,240.84	880,608,831.89	11,092,467.73	5,955,495.73	1,071,639,036.19
(1) Provision	133,108,443.58	879,938,525.21	10,383,519.51	5,750,532.09	1,029,181,020.39
(2) Increase due to business combination	40,873,797.26	670,306.68	708,948.22	204,963.64	42,458,015.80
3. Decrease during the period	5,639,596.73	7,890,452.65	256,285.18	2,093,384.68	15,879,719.24
(1) Disposal or retirement	5,639,596.73	7,890,452.65	256,285.18	2,093,384.68	15,879,719.24
4. Closing balance	2,498,094,983.68	18,433,878,573.22	211,310,290.32	262,711,523.25	21,405,995,370.47
III. Provision for impairment					
1. Opening balance	27,808,852.79	168,785,487.47	13,889.13	7,435,233.92	204,043,463.31
2. Increase during the period					
(1) Provision					
3. Decrease during the period					
(1) Disposal or retirement					
4. Closing balance	27,808,852.79	168,785,487.47	13,889.13	7,435,233.92	204,043,463.31
IV. Carrying amount					
1. Closing carrying amount	7,904,114,564.59	24,588,818,274.13	80,838,835.16	132,190,943.09	32,705,962,616.97
2. Opening carrying amount	7,929,247,932.53	25,376,236,328.15	88,313,668.42	134,180,825.63	33,527,978,754.73

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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	72,585,434.37	24,639,785.75	3,093,008.64	44,852,639.98	
Machinery and equipment	893,374,015.71	563,977,620.65	147,863,071.36	181,533,323.70	
Electronic equipment and others	478,399.18	430,411.06	7,187.27	40,800.85	
Total	966,437,849.26	589,047,817.46	150,963,267.27	226,426,764.53	

(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.)	998,765,824.60	Under application
Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.)	584,615,688.59	Under application
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	521,012,901.37	Under application
Housing and building structure (Jilin Chenming Paper Co., Ltd.)	369,108,268.46	Under application
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	197,048,976.25	Under application
Housing and building structure (Shandong Chenming Paper Holdings Limited)	93,423,000.91	Under application

(4) Disposal of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Machinery equipment, electronic and other equipment in production workshop of Wuhan Chenming	3,457,743.88	3,457,743.88
Housing and office equipment of Wuhan Chenming management integrated office	168,170,645.13	168,170,645.13
Generator machinery equipment of Qianneng Electric Power factory area	59,225,154.99	59,225,154.99
Boiler room and other structures of Qianneng Electric Power factory area	38,801,269.05	38,801,269.05
Transportation and others of Qianneng Electric Power factory area	105,127.52	105,127.52
Total	269,759,940.57	269,759,940.57

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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	666,573,576.71	551,020,785.44
Materials for project	7,851,514.55	7,846,094.92
Total	674,425,091.26	558,866,880.36

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Relocation of Wuhan 4800 papermaking machine project (Zhanjiang)	359,821,563.97		359,821,563.97	303,942,703.51		303,942,703.51
Technological transformation project	179,165,773.85		179,165,773.85	121,193,391.56		121,193,391.56
Integrated forestry, pulp and paper project (Huanggang Pulp & Paper)	45,524,448.90		45,524,448.90	45,538,442.78		45,538,442.78
Others	103,200,461.75	21,138,671.76	82,061,789.99	101,484,919.35	21,138,671.76	80,346,247.59
Total	687,712,248.47	21,138,671.76	666,573,576.71	572,159,457.20	21,138,671.76	551,020,785.44

(2) Changes in material construction in progress projects for the period

Unit: RMB

Project name	Budget	Opening balance	Increase during the period	Transfer to fixed asset during the period	Other deductions during the period	Closing balance	Accumulated investment to budget	Construction progress	Accumulated capitalised interest	Of which: Capitalised interest amount during the period	Capitalisation rate of the interest amount for the period	Source of fund
Relocation of Wuhan 4800 papermaking machine project (Zhanjiang)	800,000,000.00	303,942,703.51	55,878,860.46		359,821,563.97	44.98%	44.98%					Self-owned funds
Integrated forestry, pulp and paper project (Huanggang Pulp & Paper)	320,000,000.00	45,538,442.78	8,363,873.16	8,377,867.04	45,524,448.90	30.72%	30.72%					Self-owned funds
Total	1,120,000,000.00	349,481,146.29	64,242,733.62	8,377,867.04	405,346,012.87							

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

15. Construction in progress (Cont'd)

(3) Materials for project

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Special materials	7,851,514.55		7,851,514.55	7,846,094.92		7,846,094.92
Total	7,851,514.55		7,851,514.55	7,846,094.92		7,846,094.92

16. Bearer biological assets

(1) Bearer biological assets under the cost method

Applicable Not applicable

Unit: RMB

Item	Tea trees	Total
I. Original carrying amount		
1. Opening balance	13,697,336.80	13,697,336.80
2. Increase during the period	3,083,477.56	3,083,477.56
(1) Purchase		
(2) Self-cultivation	3,083,477.56	3,083,477.56
3. Decrease during the period		
4. Closing balance	16,780,814.36	16,780,814.36
II. Accumulated depreciation		
1. Opening balance		
2. Increase during the period		
3. Decrease during the period		
4. Closing balance		
III. Impairment provision		
1. Opening balance		
2. Increase during the period		
3. Decrease during the period		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	16,780,814.36	16,780,814.36
2. Opening carrying amount	13,697,336.80	13,697,336.80

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

17. Right-of-use assets

Unit: RMB

Item	Land use rights	Housing and building structure	Total
I. Original carrying amount			
1. Opening balance	205,820,222.41	5,546,607.90	211,366,830.31
2. Increase during the period			
3. Decrease during the period	3,213,041.31	12,385.32	3,225,426.63
(1) Transfer or held for sale	3,089,188.11		3,089,188.11
(2) Other decreases	123,853.20	12,385.32	136,238.52
4. Closing balance	202,607,181.10	5,534,222.58	208,141,403.68
II. Accumulated depreciation			
1. Opening balance	28,702,609.31	1,049,521.75	29,752,131.06
2. Increase during the period	3,434,275.84	137,854.17	3,572,130.01
(1) Provision	3,434,275.84	137,854.17	3,572,130.01
3. Decrease during the period	266,938.74		266,938.74
(1) Transfer or held for sale	266,938.74		266,938.74
4. Closing balance	31,869,946.41	1,187,375.92	33,057,322.33
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	170,737,234.69	4,346,846.66	175,084,081.35
2. Opening carrying amount	177,117,613.10	4,497,086.15	181,614,699.25

Explanation: The reason for other decreases is that the original recognised amount of right-of-use assets was tax-included, and as the invoices for leasing have been received, the input tax amount offset the original carrying amount of the right-of-use assets.

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

18. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patents	Unpatented technology	Certificates of third party right	Total
I. Original carrying amount					
1. Opening balance	2,317,286,177.57	22,054,431.73	27,493,613.05	15,908,674.87	2,382,742,897.22
2. Increase during the period	35,251,750.67				35,251,750.67
(1) Acquisition	24,205,100.00				24,205,100.00
(2) Increase due to business combination	11,046,650.67				11,046,650.67
3. Decrease during the period					
4. Closing balance	2,352,537,928.24	22,054,431.73	27,493,613.05	15,908,674.87	2,417,994,647.89
II. Accumulated amortisation					
1. Opening balance	512,384,814.26	22,054,431.73	1,056,145.44	15,908,674.87	551,404,066.30
2. Increase during the period	28,625,702.85		57,995.83		28,683,698.65
(1) Provision	26,543,505.50		57,995.83		26,601,501.33
(2) Increase due to business combination	2,082,197.32				2,082,197.32
3. Decrease during the period					
4. Closing balance	541,010,517.08	22,054,431.73	1,114,141.27	15,908,674.87	580,087,764.95
III. Impairment provision					
1. Opening balance					
2. Increase during the period					
3. Decrease during the period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	1,811,527,411.16		26,379,471.78		1,837,906,882.94
2. Opening carrying amount	1,804,901,363.31		26,437,467.61		1,831,338,830.92

Explanation: ① For details of restricted ownership, please refer to note VII. 63;

② Certificates of third party right refer to enterprise emission rights.

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

19. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period Arising from business combinations	Decrease during the period Disposal	Closing balance
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Kunshan Tuohan Plastic Products Co., Ltd.	26,946,905.38			26,946,905.38
Jiangxi Chenming Port Co., Ltd.		8,273,638.42		8,273,638.42
Total	41,261,065.98	8,273,638.42		49,534,704.40

(2) Provision for impairment of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period Provision	Decrease during the period Disposal	Closing balance
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Total	14,314,160.60			14,314,160.60

The Company assessed the recoverable amount of goodwill and determined that the goodwill related to the Company's plastic business was not impaired. With the category of the principal activities as the basis for determining the reporting segments, the Company regarded Kunshan Tuohan Plastic Products Co., Ltd. and Jiangxi Chenming Port Co., Ltd. as an asset group. The recoverable amount was determined based on the present value of the estimated future cash flows.

Future cash flows were determined based on the financial budget for 2023 to 2027 as approved by the management, and adopted 7.28% as the discount rate which was the interest rate of the 5-year bonds issued by the Company in 2018. The cash flows for more than 5 years are calculated based on the growth rate of 5%. Other key assumptions used in estimating future cash flows included the estimated sales and gross profit based on the performance of such asset group in the past and the expectation to market development by the management. The management believed that any reasonable change in the above assumptions will not result in the total book value of the asset group Kunshan Tuohan Plastic Products Co., Ltd. exceeding its recoverable amount.

20. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase during the period	Amortisation during the period	Other deductions	Closing balance
Woodland expenses	7,233,827.75	347,610.66	1,244,638.45		6,336,799.96
Others	37,229,023.70	40,130.01	1,725,987.68		35,543,166.03
Total	44,462,851.45	387,740.67	2,970,626.13		41,879,965.99

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

21. 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	2,689,226,543.47	572,930,085.69	2,344,419,524.10	549,431,097.40
Unrealised profit arising from intra-group transactions	1,399,629.90	349,907.48	47,231,691.32	11,807,922.83
Outstanding payables	122,792,373.61	18,768,839.94	169,723,942.88	26,380,462.69
Deferred income	160,218,077.69	24,632,987.76	193,822,821.65	29,673,699.36
Deductible loss	5,965,548,854.64	942,938,248.29	4,578,592,243.20	716,030,918.97
Debt restructuring			30,831.05	7,707.76
Special reserves	19,914,734.49	2,650,556.79	15,791,710.95	2,368,756.59
Total	8,959,100,213.80	1,562,270,625.95	7,349,612,765.15	1,335,700,565.60

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset valuation increment from business combinations involving entities not under common control	56,746,069.84	10,242,663.26	19,104,051.04	4,776,012.76
Debt restructuring	13,621,006.12	3,405,251.53	13,621,006.12	3,405,251.53
Total	70,367,075.96	13,647,914.79	32,725,057.16	8,181,264.29

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

21. 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	61,132,211.70	10,365,962.12
Deductible loss	680,496,027.54	808,569,643.83
Total	741,628,239.24	818,935,605.95

(4) Expiry of deductible loss of unrecognised deferred income tax assets falls in the years as follows

Unit: RMB

Year	Closing balance	Opening balance	Remark
2023	—	189,187,446.57	
2024	178,453,414.73	178,453,991.84	
2025	237,824,072.25	251,671,920.26	
2026	117,354,955.05	119,959,990.04	
2027	69,296,295.12	69,296,295.12	
2028	77,567,290.39	—	
Total	680,496,027.54	808,569,643.83	

22. Other non-current assets

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Prepayments for certificates of third party right	2,612,250.68		2,612,250.68	2,612,250.68		2,612,250.68
Payments for engineering and equipment	1,013,043,454.74		1,013,043,454.74	981,293,657.32		981,293,657.32
Total	1,015,655,705.42		1,015,655,705.42	983,905,908.00		983,905,908.00

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

23. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Discounted borrowings	14,310,500,000.00	16,207,640,000.00
Credit borrowings	9,770,481,878.49	9,613,884,197.48
Guaranteed borrowings	9,411,256,447.63	9,757,184,167.65
Pledged borrowings	1,389,288,800.16	741,339,929.89
Mortgage borrowings	65,000,000.00	65,000,000.00
Total	34,946,527,126.28	36,385,048,295.02

Explanation of the classification of short-term borrowings:

- ① For classification and amount of pledged borrowings and mortgage assets, please see 1. Monetary funds and 63. Assets with restricted ownerships or right to use in Note VII.
- ② For classification and amount of mortgage borrowings and mortgage assets, please see 1. Monetary funds and 63. Assets with restricted ownerships or right to use in Note VII.
- ③ Overdue outstanding short-term borrowings: total outstanding short-term borrowings overdue as at the end of the period amounted to RMB0.00.
- ④ Short-term borrowings included accrued interest of RMB18,290,191.17.

24. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Commercial acceptance bills	2,326,739,583.28	1,922,361,633.83
Bank acceptance bills	1,204,064,210.33	1,206,234,201.21
Total	3,530,803,793.61	3,128,595,835.04

Total outstanding bills payable due as at the end of the period amounted to RMB0.00.

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

25. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	3,451,530,854.53	3,619,549,023.04
Payment for engineering	183,561,582.14	146,144,102.25
Payment for equipment	105,349,826.86	100,493,461.51
Others	231,640,364.01	248,780,180.96
Total	3,972,082,627.54	4,114,966,767.76

(2) Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	3,640,462,482.19	3,746,315,716.20
1 to 2 years	91,931,628.46	98,287,651.12
2 to 3 years	32,304,508.59	52,080,919.33
Over 3 years	207,384,008.30	218,282,481.11
Total	3,972,082,627.54	4,114,966,767.76

The basis used by the ageing analysis of the accounts payable of the Company: the ageing of accounts payable is the length of time of the Company's outstanding accounts payable based on invoice date. The closing balance is recognised one by one from the end of the period onwards until the amounts add up to the balance. It is also broken up by intervals of within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years and over 5 years.

(3) Significant accounts payable aged over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not transfer
Weifang Xingxing United Chemical Co., Ltd.	26,905,494.34	Not due for payment
Omya Haiming (Nanchang) Chemical Co., Ltd.	16,000,000.00	Not due for payment
MILLTEXS.P.A	13,788,818.45	Not due for payment
Zhejiang Jndia Pipeline Industry Co., Ltd.	11,477,155.91	Not due for payment
Voith Germany	5,410,815.85	Not due for payment
Total	73,582,284.55	

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

26. Receipts in advance

(1) Particulars of receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Prepaid rents and property fees	12,959,619.33	14,261,436.67
Total	12,959,619.33	14,261,436.67

27. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods in advance	1,629,061,591.45	1,306,029,389.80
Total	1,629,061,591.45	1,306,029,389.80

28. Staff remuneration payables

(1) Particulars of staff remuneration payables

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term remuneration	99,353,543.41	535,303,722.87	545,954,477.69	88,702,788.59
II. Retirement benefit plan-defined contribution scheme	45,572,343.59	101,013,727.12	120,486,831.35	26,099,239.36
III. Termination benefits		1,065,471.76	1,065,471.76	
IV. Other benefits due within one year				
Total	144,925,887.00	637,382,921.75	667,506,780.80	114,802,027.95

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

28. Staff remuneration payables (Cont'd)

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	84,374,864.77	409,233,898.71	422,708,539.58	70,900,223.90
2. Staff welfare		24,252,540.07	24,252,540.07	331,036.18
3. Social insurance premium	4,072,690.50	53,322,211.30	50,963,905.10	6,430,996.70
Of which: Medical insurance premium	669,598.55	48,618,545.65	47,989,841.92	1,298,302.28
Work-related injury insurance premium	2,514,203.46	3,825,280.09	2,082,524.61	4,256,958.94
Maternity insurance premium	888,888.49	878,385.56	891,538.57	875,735.48
4. Housing provident funds	7,500,937.80	34,025,150.85	35,678,548.44	5,847,540.21
5. Union funds and workers' education	463,017.47	9,311,206.98	6,993,594.83	2,780,629.62
6. Other short-term remuneration	2,942,032.87	5,158,714.96	5,357,349.67	2,743,398.16
Total	99,353,543.41	535,303,722.87	545,954,477.69	88,702,788.59

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance premiums	43,615,129.42	97,229,819.35	117,696,173.02	23,148,775.75
2. Unemployment insurance premiums	1,957,214.17	3,783,907.77	2,790,658.33	2,950,463.61
3. Enterprise annuity payment				
Total	45,572,343.59	101,013,727.12	120,486,831.35	26,099,239.36

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

29. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	51,105,204.81	128,305,607.36
Property tax	25,501,429.87	34,531,806.76
Enterprise income tax	21,447,951.95	51,538,384.55
Stamp duty	11,048,346.40	12,987,679.08
Land use tax	8,976,877.20	10,659,878.19
Environmental protection tax	3,898,266.33	3,674,817.23
Resource tax	3,000,000.00	3,500,000.00
Urban maintenance and construction tax	2,798,467.11	5,069,014.46
Educational surcharges and others	2,337,703.88	3,955,412.99
Land appreciation tax	2,024,028.20	2,024,028.20
Individual income tax	1,991,470.99	4,765,040.27
Total	134,129,746.74	261,011,669.09

30. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	2,059,334,576.71	1,854,507,978.66
Interest payable		15,895,930.51
Total	2,059,334,576.71	1,870,403,909.17

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

30. Other payables (Cont'd)

(1) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Deposit	791,373,992.08	788,792,126.26
Open credit	703,492,005.81	490,279,690.52
Accrued expenses	355,747,871.50	355,492,234.45
The obligation to repurchase shares under the share incentive scheme	129,112,395.74	129,112,395.74
Others	79,608,311.58	90,831,531.69
Total	2,059,334,576.71	1,854,507,978.66

2) Significant other payables aged over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not transfer
Zhanjiang Runbao Trading Co., Ltd.	160,000,000.00	Not due for payment
Shanghai Shuilan Property Management Co., Ltd.	136,000,000.00	Not due for payment
Nine Dragons Dawei Holdings Co., Ltd.	30,000,000.00	Not due for payment
Weifang Xingxing United Chemical Co., Ltd.	16,860,000.00	Not due for payment
Wuhan Tianrui Paper Co., Ltd.	7,941,708.00	Not due for payment
Total	350,801,708.00	

(2) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds		15,895,930.51
Total		15,895,930.51

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

31. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables due within one year	2,507,044,660.93	2,398,150,298.72
Long-term borrowings due within one year	1,641,025,533.78	1,920,748,225.56
Bonds payable due within one year		350,000,000.00
Lease liabilities due within one year	4,606,717.58	4,606,717.58
Total	4,152,676,912.29	4,673,505,241.86

32. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Mortgage borrowings	4,262,402,572.55	3,118,508,092.17
Credit borrowings	1,362,804,500.00	1,405,855,117.94
Guaranteed borrowings	911,364,765.59	1,378,621,266.53
Less: Long-term borrowings due within one year	1,641,025,533.78	1,920,748,225.56
Total	4,895,546,304.36	3,982,236,251.08

Explanation of the types of long-term borrowings:

- ① For classification and amount of mortgage assets of mortgage borrowings, please see 63. Assets with restricted ownerships or right to use in Note VII;
- ② Long-term borrowings included accrued interest of RMB14,309,265.59.

33. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
18 Chenming Bond 01 – Chenming Group		
Total		

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

33. Bonds payable (Cont'd)

- (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	Closing balance
18 Chenming Bond 01 - Chenming Group	350,000,000.00	2018-4-2	5 years	350,000,000.00	350,000,000.00		15,895,930.51		365,895,930.51	
Subtotal				350,000,000.00	350,000,000.00		15,895,930.51		365,895,930.51	
Less: Bonds payable due within one year					350,000,000.00					
Total				350,000,000.00			15,895,930.51		365,895,930.51	

34. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease payments payable	72,538,903.11	76,929,509.38
Less: Unrecognised financing expenses	18,643,391.69	18,726,744.34
Subtotal	53,895,511.42	58,202,765.04
Less: Lease liabilities due within one year	4,606,717.58	4,606,717.58
Total	49,288,793.84	53,596,047.46

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

35. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	2,840,065,362.58	3,160,771,126.31
Total	2,840,065,362.58	3,160,771,126.31

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Financial leasing	4,785,829,789.29	4,928,891,190.81
China Development Bank Special Fund	343,750,000.00	412,500,000.00
Contributions by other partners	211,530,234.22	211,530,234.22
Retention for the financial leasing operations	6,000,000.00	6,000,000.00
Subtotal	5,347,110,023.51	5,558,921,425.03
Less: Long-term payables due within one year	2,507,044,660.93	2,398,150,298.72
Total	2,840,065,362.58	3,160,771,126.31

36. Deferred income

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	1,469,230,468.46		82,410,962.30	1,386,819,506.16	Financial provision
Total	1,469,230,468.46		82,410,962.30	1,386,819,506.16	

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

36. Deferred income (Cont'd)

Items in respect of government grants:

Unit: RMB

Liability item	Opening balance	New grants during the period	Include in other income for the period	Other changes	Closing balance	Asset-related/ income-related
Funding for environmental protection	576,455,283.80		26,522,207.20		549,933,076.60	Asset-related government grants
Huanggang forestry-pulp-paper project	470,994,523.05		12,513,108.90		458,481,414.15	Asset-related government grants
Infrastructure and environmental protection engineering	208,320,966.69		5,758,794.72		202,562,171.97	Asset-related government grants
Financial subsidies for technological transformation project	132,614,525.64		34,821,957.48		97,792,568.16	Asset-related government grants
Zhanjiang forestry-pulp-paper project	46,711,964.27		2,047,316.46		44,664,647.81	Asset-related government grants
Project fund for National Key Technology Research and Development Program	958,425.00		82,350.00		876,075.00	Asset-related government grants
Others	33,174,780.01		665,227.54		32,509,552.47	Asset-related government grants
Total	1,469,230,468.46		82,410,962.30		1,386,819,506.16	

37. Share capital

Unit: RMB

	Opening balance	New issue	Increase/decrease during the year (+/-)			Subtotal	Closing balance
			Bonus issue	Shares converted from reserves	Others		
Total number of shares	2,979,742,200.00						2,979,742,200.00

38. Other equity instruments

(1) Perpetual Bonds outstanding at the end of the period

Unit: RMB

Outstanding financial instruments	Year of issuance	Accounting classification	Dividend or interest rate	Issue price	Issue size	Amount	Maturity date or renewal status	Condition for conversion	Conversion
17 Lu Chenming MTN001	2017	Equity instrument	8.97%	100.00	10,000,000.00	1,000,000,000.00	No defined maturity date	Nil	Non-convertible
Total					10,000,000.00	1,000,000,000.00			

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

38. Other equity instruments (Continued)

(2) Changes in Perpetual Bonds outstanding at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Increase during the period		Decrease during the period		End of the period	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
17 Lu Chenming MTN001	10,000,000.00	996,000,000.00					10,000,000.00	996,000,000.00
Total	10,000,000.00	996,000,000.00					10,000,000.00	996,000,000.00

Changes (increase or decrease) in other equity instruments during the period, the reasons for such changes, and the basis for relevant accounting treatment:

The Company issued medium-term notes amounting to RMB1,000 million on 12 July 2017 at a coupon rate of 6.80%. The proceeds net of issue costs amounted to RMB996.00 million.

The notes are debts without a defined maturity date and will continue indefinitely until the exercise of the right of redemption by the Company. The interest rate of the bills is determined by the basic interest rate + the initial interest rate + 300BP. It has the feature of capped interest rates and the capped interest rate does not exceed the average interest rate level of the same type of instruments in the same industry in the same period; The Company has the right to defer any payment of interest. The right of redemption of the notes is vested in the Company so that it is up to the Company to decide whether to redeem or not; the priority of repayment of the principal and interest of medium-term notes for the period is the same as other outstanding debt financing instruments of the issuers in the event of winding up, because there is low probability of bankruptcy that the Company will not be liable for contractual obligations to deliver cash or other financial assets expected.

Based on the above, the notes do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they are eligible to be recognised and accounted for as equity instruments and included under other equity – Perpetual Bonds.

39. Capital reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	4,604,712,413.16			4,604,712,413.16
Other capital reserves	756,488,109.13		27,467,521.92	729,020,587.21
Total	5,361,200,522.29		27,467,521.92	5,333,733,000.37

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

Based on the performance in the first half of 2023, the management of the Company estimated that the performance indicators for 2023 cannot be fulfilled, and the corresponding third batch of the 30% Restricted Shares cannot be unlocked. Accordingly, the capital reserve of RMB27,467,521.92 recognised in previous years was written off according to the cancellation treatment.

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

40. Treasury shares

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share incentive	128,780,100.00			128,780,100.00
Total	128,780,100.00			128,780,100.00

41. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before income tax for the period	During the period		Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
			Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Less: Transferred from other comprehensive income in prior periods to retained earnings during the period				
I. Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods								
II. Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-821,940,694.57					-85,733,908.54		-907,674,603.11
Of which: Other comprehensive income that may be reclassified to profit or loss under the equity method	-9,916,102.69					2,605,105.12		-7,310,997.57
Translation differences of financial statements denominated in foreign currency	-812,024,591.88					-88,339,013.66		-900,363,605.54
Total other comprehensive income	-821,940,694.57					-85,733,908.54		-907,674,603.11

42. General risk reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
General risk reserves	79,900,268.71			79,900,268.71
Total	79,900,268.71			79,900,268.71

43. Special reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Production safety expenses	15,791,710.95	13,373,517.00	9,250,493.46	19,914,734.49
Total	15,791,710.95	13,373,517.00	9,250,493.46	19,914,734.49

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

44. Surplus reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserves	1,212,009,109.97			1,212,009,109.97
Total	1,212,009,109.97			1,212,009,109.97

45. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	9,390,642,477.57	9,294,126,706.86
Adjustment to opening balance of retained earnings (increase +, decrease -)		
Opening balance of retained profit after adjustment	9,390,642,477.57	9,294,126,706.86
Plus: Net profit for the period attributable to shareholders of the parent company	-688,080,164.10	189,290,120.82
Less: Transfer of statutory surplus reserves		
Transfer of discretionary surplus reserves		
Transfer of general risk reserves		3,074,350.11
Perpetual Bonds interest payable		89,700,000.00
Retained profit as at the end of the period	8,702,562,313.47	9,390,642,477.57

46. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	12,420,935,712.78	11,377,205,194.89	16,170,535,559.24	13,692,044,445.11
Other activities	144,027,068.53	119,526,467.69	505,892,806.59	432,503,804.40
Total	12,564,962,781.31	11,496,731,662.58	16,676,428,365.83	14,124,548,249.51

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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	Financial services	Hotel and property rentals	Others	Total
Type of goods	12,065,096,786.14	90,836,358.97	118,740,344.32	290,289,291.88	12,564,962,781.31
Including:					
Machine-made paper	11,300,765,054.86				11,300,765,054.86
Chemical pulp	240,438,232.65				240,438,232.65
Processing of moulds				100,217,749.88	100,217,749.88
Electricity and steam	120,561,393.77				120,561,393.77
Construction materials				106,371,211.95	106,371,211.95
Paper chemicals	60,607,594.98				60,607,594.98
Hotel and property rentals			109,744,705.55		109,744,705.55
Others	342,724,509.88	90,836,358.97	8,995,638.77	83,700,330.05	526,256,837.67
By geographical area	12,065,096,786.14	90,836,358.97	118,740,344.32	290,289,291.88	12,564,962,781.31
Including:					
Mainland China	8,691,224,985.35	90,836,358.97	118,740,344.32	290,289,291.88	9,191,090,980.52
Other countries and regions	3,373,871,800.79				3,373,871,800.79
By the timing of delivery	12,065,096,786.14	90,836,358.97	118,740,344.32	290,289,291.88	12,564,962,781.31
Including:					
Goods (at a point in time)	11,932,557,803.64		6,317,579.78	290,105,088.62	12,228,980,472.04
Services (within a certain period)	120,561,393.77	90,836,358.97	107,856,141.55		319,253,894.29
Leasing income	11,977,588.73		4,566,622.99	184,203.26	16,728,414.98

Information related to the transaction price allocated to residual performance obligations:

At the end of the reporting period, the amount of revenue with signed contracts but unfulfilled or uncompleted performance obligation was RMB2, 675,475,342.05, which was expected to be recognised in 2023.

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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
Property tax	43,867,342.48	41,715,466.80
Stamp duty	20,624,364.19	24,637,949.80
Land use tax	17,689,934.66	4,547,575.80
Water resource tax	7,866,553.80	5,678,351.10
Environmental protection tax	6,474,664.23	6,793,722.79
Urban maintenance and construction tax	5,065,031.72	17,218,814.49
Educational surcharges and local education surcharge	3,832,275.95	11,612,306.79
Water conservation funds	375,223.40	350,123.53
Vehicle and vessel tax	22,420.06	1,998,845.57
Cultural undertaking development tax		1,528,301.88
Land appreciation tax		27,432.00
Total	105,817,810.49	116,108,890.55

48. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	50,366,970.26	72,692,606.41
Business hospitality expenses	23,235,804.11	22,786,567.81
Travel expenses	12,003,217.19	8,535,839.64
Selling commissions	3,387,483.92	6,883,405.06
Rental expenses	3,238,179.10	2,478,458.25
Depreciation expenses	2,820,127.76	5,541,590.42
Office expenses	1,137,272.19	1,108,123.52
Warehouse expenses	429,220.85	503,789.82
Others	10,048,442.16	17,525,382.72
Total	106,666,717.54	138,055,763.65

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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	118,217,373.00	113,861,878.26
Depreciation expenses	44,973,785.82	47,710,740.44
Hospitality expenses	44,140,876.01	38,886,989.85
Welfare expenses	31,454,087.17	35,507,840.57
Amortisation of intangible assets	23,286,773.73	25,828,580.24
Insurance premium	9,440,871.93	9,449,472.17
Repair fees	9,337,357.64	9,615,210.77
Others	47,445,099.56	72,306,683.24
Total	328,296,224.86	353,167,395.54

50. R&D expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Consumption of raw materials	366,319,485.67	453,243,553.84
Utilities	75,235,547.39	105,357,973.18
Wages and surcharges	66,209,728.31	76,633,329.10
Depreciation expenses	23,682,873.40	23,781,607.53
Insurance premium	13,868,772.48	15,220,882.81
Welfare expenses	3,443,387.62	4,712,671.38
Housing provident funds	2,384,161.81	2,698,047.92
Other expenses	1,660,871.90	1,866,495.17
Total	552,804,828.58	683,514,560.93

51. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	856,872,614.18	991,475,816.56
Less: capitalised interest amount		
Interest income	94,532,686.92	150,582,370.85
Foreign exchange gains and losses	-34,863,785.35	-21,746,160.65
Less: Capitalisation of foreign exchange gains and losses		
Bank charges and others	122,050,778.14	201,887,319.60
Total	849,526,920.05	1,021,034,604.66

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

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	82,410,962.30	52,355,943.37
Government grants – directly included in profit or loss	25,744,734.89	96,908,668.31
Total	108,155,697.19	149,264,611.68

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	23,934,269.81	26,616,556.58
Investment gain on disposal of long-term equity investments		6,812.52
Investment income on holding financial assets held for trading and other non-current financial assets	630,212.77	6,301,220.33
Investment gain on derecognition of financial assets	-67,175,214.10	-56,307,959.46
Gain on debt restructuring	-145,995.36	-754,806.87
Total	-42,756,726.88	-24,138,176.90

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	-25,565,577.25	-62,122,863.58
Gain on change in fair value of consumable biological assets measured at fair value	5,749,779.42	3,309,448.09
Total	-19,815,797.83	-58,813,415.49

55. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of accounts receivable	-43,081,750.88	-25,363,341.17
Total	-43,081,750.88	-25,363,341.17

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

56. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
Loss on inventory impairment and loss on impairment of costs of contract performance	-43,314,485.76	1,936,644.09
Total	-43,314,485.76	1,936,644.09

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)	11,759,266.91	1,605,314.49
Total	11,759,266.91	1,605,314.49

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
Gain on damage and retirement of non-current assets	433,184.77	23,874.29	433,184.77
Fine income	323,305.00	215,595.32	318,305.00
Exempted debts	12,888.00	11,345.80	12,888.00
Others	171,427.53	842,613.92	176,427.53
Total	940,805.30	1,093,429.33	940,805.30

59. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amount included in extraordinary gains or losses for the period
Loss on damage and retirement of non-current assets	3,074,424.63	5,557,464.33	3,074,424.63
Default penalty		4,626,610.27	
Donation		5,000.00	
Others	63,765.43	13,665.00	63,765.43
Total	3,138,190.06	10,202,739.60	3,138,190.06

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

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	22,508,021.82	51,225,155.03
Deferred income tax expenses	-233,999,203.96	-49,846,428.34
Total	-211,491,182.14	1,378,726.69

(2) Reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the period
Total profit	-906,132,564.80
Income tax expenses calculated at statutory/applicable tax rates	-135,919,884.72
Effect of different tax rates applicable to subsidiaries	27,248,703.09
Effect of adjustments for income tax for prior periods	9,207,371.67
Profit and loss of joint ventures and associates accounted for using the equity method	-3,590,140.47
Effect of income not subject to tax	-4,055,086.68
Non-deductible costs, expenses and losses	7,486,299.55
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	-44,216,260.65
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	23,986,101.00
Tax effect of R&D fee deduction (listed with“-”)	-79,940,345.85
Tax incentives such as equipment credits	-11,697,939.08
Income tax expense	-211,491,182.14

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
Net proceedings from the financial leasing business	638,037,439.53	125,816,344.91
Interest income	96,517,182.23	147,503,480.13
Government support fund	16,978,364.27	94,023,387.98
Open credit and other income	128,779,296.53	466,613,154.78
Total	880,312,282.56	833,956,367.80

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

61. Items on statements of cash flow (Cont'd)

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Expenses and open credit	802,664,900.20	998,576,421.97
Total	802,664,900.20	998,576,421.97

(3) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Equipment sale and leaseback	1,122,264,589.15	2,068,410,644.82
Recovery of deposit for financial leasing	6,000,000.00	10,500,000.00
Total	1,128,264,589.15	2,078,910,644.82

(4) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of equipment sale and leaseback	1,376,861,062.23	961,427,794.77
Repayment of bonds	350,000,000.00	1,078,685,100.00
Increase of restricted bank deposits	97,308,709.84	992,161,166.63
Payment for equity in China Development Bank funds	68,750,000.00	27,500,000.00
Payment for finance lease deposits	49,250,000.00	51,000,000.00
Purchase or repayment of short-term commercial paper and MTNs		200,000,000.00
Total	1,942,169,772.07	3,310,774,061.40

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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	-694,641,382.66	274,002,500.73
Plus: Provision for impairment of assets	86,396,236.64	23,426,697.08
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of bearer biological assets and investment property	1,128,930,791.82	1,138,180,403.64
Depreciation of right-of-use assets	3,572,130.01	3,916,179.79
Amortisation of intangible assets	26,601,501.33	28,127,606.73
Amortisation of long-term prepaid expenses	2,970,626.13	2,055,896.23
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-11,759,266.91	-1,605,314.49
Loss on retirement of fixed assets (“-” denotes gain)	2,641,239.86	5,533,590.04
Loss on changes in fair value (“-” denotes gain)	19,815,797.83	58,813,415.49
Finance expenses (“-” denotes gain)	856,872,614.18	991,475,816.56
Investment loss (“-” denotes gain)	42,756,726.88	24,138,176.90
Decrease in deferred income tax assets (“-” denotes increase)	-226,570,060.35	-49,397,297.55
Increase in deferred income tax liabilities (“-” denotes decrease)	5,466,650.50	-449,130.79
Decrease in inventories (“-” denotes increase)	35,683,655.24	-105,936,523.16
Decrease in operating receivables (“-” denotes increase)	643,109,345.71	-1,497,590,484.79
Increase in operating payables (“-” denotes decrease)	-138,758,858.62	103,572,677.04
Others		
Net cash flows from operating activities	1,783,087,747.59	998,264,209.45
2. Major investing and financing activities not involving cash settlements:		
Capital converted from debts		
Convertible corporate bonds due within one year		
Finance leases of fixed assets		
3. Net change in cash and cash equivalents:		
Closing balance of cash	1,842,769,494.26	3,142,606,091.96
Less: Opening balance of cash	2,159,460,149.51	3,168,915,847.02
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-316,690,655.25	-26,309,755.06

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VII. Notes to Items of the Consolidated Financial Statements (Cont'd)

62. Supplementary information on cash flow statement (Cont'd)

(2) Net cash of acquisition subsidiaries paid in current period

	Unit: RMB
	Amount
Cash or cash equivalents paid in the current period for business combinations that occurred during the period	5,400,000.00
Of which:	
Less: Cash and cash equivalents held by the subsidiary on the acquisition date	465,248.97
Of which:	
Plus: Cash or cash equivalents paid in the current period for business combinations that occurred during previous periods	
Of which:	
Net cash paid for acquisition of subsidiaries	4,934,751.03

(3) Cash and cash equivalents composition

	Unit: RMB	
Item	Closing balance	Opening balance
I. Cash	1,842,769,494.26	2,159,460,149.51
Of which: Treasury cash	3,577,158.84	3,491,219.08
Bank deposit that can be used for payment at any time	1,839,192,335.42	2,155,968,930.43
II. Cash equivalents		
Of which: Bond investment with maturity within 3 months		
III. Balance of cash and cash equivalent at end of period	1,842,769,494.26	2,159,460,149.51

63. Assets with restricted ownerships or right to use

	Closing carrying amount	Reasons for such restriction
Monetary funds	11,912,761,370.57	As deposits for bank acceptance bills and letters of credit, security deposits for loans, deposit reserves, interest receivable, etc. (Note VII. 1)
Fixed assets	5,380,577,035.38	As collateral for bank borrowings and long-term payables (Note VII. 14)
Investment property	4,754,893,839.15	As collateral for bank borrowings (Note VII. 13)
Intangible assets	550,003,479.41	As collateral for bank borrowings and long-term payables (Note VII. 18)
Accounts receivable	188,497,651.34	As collateral for borrowings (Note VII. 3)
Total	22,786,733,375.85	

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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			
Of which: USD	50,971,917.74	7.2258	368,312,883.21
EUR	2,777,106.44	7.8771	21,875,545.14
HKD	1,026,323.52	0.9220	946,270.29
GBP	1,648.02	9.1432	15,068.18
JPY	1,197.00	0.0501	59.97
Accounts receivables			
Of which: USD	18,584,628.34	7.2258	134,288,807.46
EUR	8,855,976.60	7.8771	69,759,413.28
JPY	146,734,998.00	0.0501	7,351,423.40
Accounts payable			
Of which: USD	95,242,773.80	7.2258	688,205,234.92
EUR	1,196,397.65	7.8771	9,424,143.93
JPY	187,909.00	0.0501	9,414.24
Other receivables			
Of which: USD	8,727.39	7.2258	63,062.37
EUR	69,241.34	7.8771	545,420.96
Other payables			
Of which: USD	1,377,668.71	7.2258	9,954,758.56
EUR	1,488,642.25	7.8771	11,726,183.87
JPY	8,800.00	0.0501	440.88
Short-term borrowings			
Of which: USD	12,697,585.99	7.2258	91,750,216.85
EUR	382,900.00	7.8771	3,016,141.59

- (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

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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
Funding for environmental protection	549,933,076.60	Deferred income	26,522,207.20
Huanggang forestry-pulp-paper project	458,481,414.15	Deferred income	12,513,108.90
Infrastructure and environmental protection engineering	202,562,171.97	Deferred income	5,758,794.72
Financial subsidies for technological transformation project	97,792,568.16	Deferred income	34,821,957.48
Zhanjiang forestry-pulp-paper project	44,664,647.81	Deferred income	2,047,316.46
Project Funding for National Key Technology Research and Development Program	876,075.00	Deferred income	82,350.00
Others	32,509,552.47	Deferred income	665,227.54
Subsidies for foreign trade projects	10,833,800.00	Other income	10,833,800.00
Government rewards	7,220,880.00	Other income	7,220,880.00
Immediate VAT refund	3,186,241.18	Other income	3,186,241.18
Refund of tax	2,877,613.59	Other income	2,877,613.59
Enterprise reform and development subsidies	612,000.00	Other income	612,000.00
Afforestation subsidy	459,000.12	Other income	459,000.12
Financial subsidies for technological transformation project	370,000.00	Other income	370,000.00
Funding for environmental protection	72,000.00	Other income	72,000.00
Employment expansion subsidies	52,000.00	Other income	52,000.00
Employment stabilisation subsidies	9,500.00	Other income	9,500.00
Others	51,700.00	Other income	51,700.00
Total	1,412,564,241.05		108,155,697.19

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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
Jiangxi Chenming Port Co., Ltd.	2023.3.31	5,400,000.00	100.00%	Acquisition	2023.3.31	Control	2,501,184.09	899,011.43

(2) Cost of combination and goodwill

Unit: RMB

	Jiangxi Chenming Port Co., Ltd.
Cost of combination	
- Cash	5,400,000.00
- Fair value of non-cash assets	
- Fair value of debt issued or assumed	
- Fair value of equity securities issued	
- Fair value of contingent consideration	
- Fair value of the equity held before the acquisition date on the acquisition date	
- Others	
Total cost of combination	5,400,000.00
Less: the interest in the fair value of the identifiable net assets acquired	-2,873,638.42
Amount of goodwill/cost of combination being less than the interest in the fair value of the identifiable net assets acquired	8,273,638.42

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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

	Jiangxi Chenming Port Co., Ltd.	
	Fair value as at the acquisition date	Carrying amount as at the acquisition date
Assets:	183,176,943.51	85,831,727.82
Monetary funds	465,248.97	465,248.97
Accounts receivable	3,537,419.24	3,537,419.24
Long-term equity investment	59,345,429.05	2,450,000.00
Fixed assets	111,076,981.66	74,175,345.69
Intangible assets	8,486,760.00	4,938,609.33
Liabilities:	186,050,581.93	186,050,581.93
Borrowings		
Accounts payable	179,009,234.83	179,009,234.83
Deferred income tax liabilities	6,067,468.00	6,067,468.00
Net assets	-2,873,638.42	-100,218,854.11
Less: minority interest		
Net assets acquired	-2,873,638.42	-100,218,854.11

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			
Shouguang Meilun Paper Co., Ltd.	Shouguang	Shouguang	Paper making	For-profit corporation	62.49%		Establishment	0	0
Shouguang Meichen Energy Technology Co., Ltd.	Shouguang	Shouguang	Electricity	For-profit corporation		100%	Establishment	0	0
Shouguang Chenming Art Paper Co., Ltd.	Shouguang	Shouguang	Paper making	For-profit corporation	75%		Establishment	0	0
Shandong Chenming Paper Sales Co., Ltd.	Shouguang	Shouguang	Sales of paper product	For-profit corporation	100%		Establishment	0	0
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	Shanghai	Shanghai	Paper product trading	For-profit corporation		100%	Establishment	0	0
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang	Shouguang	Trading	For-profit corporation	100%		Establishment	0	0
Jiangxi Chenming Supply Chain Management Co., Ltd.	Jiangxi	Jiangxi	Trading	For-profit corporation		70%	Establishment	0	0
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang	Zhanjiang	Paper making	For-profit corporation	82.67%		Establishment	0	0
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Zhanjiang	Zhanjiang	Arboriculture	For-profit corporation		100%	Establishment	0	0

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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			
Yangjiang Chenming Arboriculture Development Co., Ltd.	Yangjiang	Yangjiang	Arboriculture	For-profit corporation		100%	Establishment	0	0
Guangdong Huirui Investment Co., Ltd.	Zhanjiang	Zhanjiang	Investment	For-profit corporation		100%	Establishment	0	0
Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)	Huanggang	Huanggang	Fund	For-profit corporation		59.97%	Establishment	0	0
Hainan Chenming Technology Co., Ltd.	Haikou	Haikou	Wholesale and retail	For-profit corporation		100%	Establishment	0	0
Foshan Chenming Import and Export Trade Co., Ltd.	Foshan	Foshan	Trading	For-profit corporation		100%	Establishment	0	0
Shanghai Herui Investment Co., Ltd.	Shanghai	Shanghai	Business services	For-profit corporation		100%	Merger and acquisition	0	0
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang	Zhanjiang	Port services	For-profit corporation		100%	Establishment	0	0
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang	Zhanjiang	Paper making	For-profit corporation		100%	Establishment	0	0
Guangdong Chenming Panels Co., Ltd.	Guangdong	Guangdong	Panels	For-profit corporation		100%	Establishment	0	0
Jiangxi Chenming Tea Co., Ltd.	Jiangxi	Jiangxi	Tea business	For-profit corporation		100%	Establishment	0	0
Jiangxi Chenming Paper Co., Ltd.	Nanchang	Nanchang	Paper making	For-profit corporation		100%	Establishment	0	0
Jiangxi Chenming Logistics Co., Ltd.	Nanchang	Nanchang	Logistics	For-profit corporation		100%	Establishment	0	0
Nanchang Shengheng Trading Co., Ltd.	Nanchang	Nanchang	Trading	For-profit corporation		100%	Establishment	0	0
Nanchang Kunheng Trading Co., Ltd.	Nanchang	Nanchang	Trading	For-profit corporation		100%	Establishment	0	0
Nanchang Chenming Arboriculture Development Co., Ltd.	Nanchang	Nanchang	Arboriculture	For-profit corporation		100%	Establishment	0	0
Jiangxi Chenming Port Co., Ltd.	Jiangxi	Jiangxi	Cargo transportation	For-profit corporation		100%	Acquisition	0	0
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Wuhan	Wuhan	Paper making	For-profit corporation	65.21%	34.64%	Establishment	0	0
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan	Wuhan	Thermal power	For-profit corporation		51%	Establishment	0	0
Shandong Dingkun Asset Management Partnership (Limited Partnership)	Shouguang	Shouguang	Business services	For-profit corporation		100%	Establishment	0	0
Jilin Chenming Paper Co., Ltd.	Jilin	Jilin	Paper making	For-profit corporation		100%	Acquisition	0	0
Fuyu Chenming Paper Co., Ltd.	Fuyu	Fuyu	Paper making	For-profit corporation		100%	Establishment	0	0
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin	Jilin	Wall materials	For-profit corporation		100%	Establishment	0	0
Jilin Chenming Logistics Co., Ltd.	Jilin	Jilin	Logistics	For-profit corporation		100%	Establishment	0	0
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang	Huanggang	Pulp production	For-profit corporation	70.15%	29.85%	Establishment	0	0
Huanggang Chenming Paper Technology Co., Ltd.	Huanggang	Huanggang	Paper making	For-profit corporation		100%	Establishment	0	0
Huanggang Chenming Port Service Co., Ltd.	Huanggang	Huanggang	Port services	For-profit corporation		100%	Establishment	0	0

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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			
Huanggang Chenming Pulp & Fiber Trading Co., Ltd.	Huanggang	Huanggang	Trading	For-profit corporation		100%	Establishment	0	0
Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.	Huanggang	Huanggang	Capital market services	For-profit corporation		60%	Establishment	0	0
Shandong Chenming Group Finance Co., Ltd.	Jinan	Jinan	Finance	For-profit corporation	80%	20%	Establishment	0	0
Chenming (HK) Limited	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100%	Establishment	0	0
Shandong Chenming Financial Leasing Co., Ltd.	Jinan	Jinan	Financial leasing	For-profit corporation		100%	Establishment	0	0
Qingdao Chenming Nonghai Financial Leasing Co., Ltd	Qingdao	Qingdao	Financial leasing	For-profit corporation		100%	Establishment	0	0
Shanghai Chenming Financial Leasing Co., Ltd.	Shanghai	Shanghai	Financial leasing	For-profit corporation		100%	Establishment	0	0
Wuhan Junheng Property Management Co. Ltd.	Wuhan	Wuhan	Property	For-profit corporation		100%	Merger and acquisition	0	0
Guangzhou Chenming Property Management Co., Ltd.	Guangzhou	Guangzhou	Property	For-profit corporation		100%	Establishment	0	0
Shandong Chenming Investment Limited	Jinan	Jinan	Investment	For-profit corporation		100%	Establishment	0	0
Beijing Chenming Financial Leasing Co., Ltd.	Beijing	Beijing	Financial leasing	For-profit corporation		100%	Establishment	0	0
Shanxi Fuyin Industrial Trading Co., Ltd.	Taiyuan	Taiyuan	Wholesale and retail	For-profit corporation		100%	Acquisition	0	0
Chongmin Culture Development (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing and business services	For-profit corporation		100%	Acquisition	0	0
Jinan Chenming Paper Sales Co., Ltd.	Jinan	Jinan	Investment management/ Paper product trading	For-profit corporation	100%		Establishment	0	0
Shandong Chenming Commercial Factoring Co., Ltd.	Jinan	Jinan	Business factoring	For-profit corporation		100%	Establishment	0	0
Guangzhou Chenming Commercial Factoring Co., Ltd.	Guangzhou	Guangzhou	Business factoring	For-profit corporation		51%	Establishment	0	0
Chenming GmbH	Germany	Germany	Paper product trading	For-profit corporation	100%		Establishment	0	0
Chenming Paper Japan Co., Ltd.	Japan	Japan	Paper product trading	For-profit corporation		100%	Establishment	0	0
Chenming International Co., Ltd.	the United States	the United States	Paper product trading	For-profit corporation		100%	Establishment	0	0
Chenming Paper United States Co., Ltd.	the United States	the United States	Paper product trading	For-profit corporation	100%		Establishment	0	0
Chenming Paper Korea Co., Ltd.	Korea	Korea	Paper product trading	For-profit corporation	100%		Establishment	0	0
Chenming (Overseas) Limited	Hong Kong	Hong Kong	Paper product trading	For-profit corporation		100%	Establishment	0	0
Chenming (Singapore) Limited	Singapore	Singapore	Paper product trading	For-profit corporation		100%	Establishment	0	0
Meilun (BVI) Limited	Cayman	Cayman	Commerce	For-profit corporation		100%	Establishment	0	0
Shanghai Chenming Industry Co., Ltd.	Shanghai	Shanghai	Property investment and management	For-profit corporation		100%	Establishment	0	0
Shanghai Chenyin Trading Co., Ltd.	Shanghai	Shanghai	Trading	For-profit corporation		51%	Establishment	0	0

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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%	Merger and acquisition	0	0
Shanghai Hongtai Property Management Co., Ltd.	Shanghai	Shanghai	Property	For-profit corporation		100%	Merger and acquisition	0	0
Shandong Grand View Hotel Co., Ltd.	Shouguang	Shouguang	Catering	For-profit corporation	70%		Establishment	0	0
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang	Shouguang	Machinery manufacturing	For-profit corporation	100%		Establishment	0	0
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang	Shouguang	Printing and packaging	For-profit corporation	100%		Acquisition	0	0
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang	Shouguang	Transportation	For-profit corporation	100%		Establishment	0	0
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang	Shouguang	Packaging	For-profit corporation		100%	Merger and acquisition	0	0
Kunshan Tuoan Plastic Products Co., Ltd.	Kunshan	Kunshan	Rubber and plastic	For-profit corporation		100%	Merger and acquisition	0	0
Shouguang Xinyuan Coal Co., Ltd.	Shouguang	Shouguang	Coal	For-profit corporation		100%	Merger and acquisition	0	0
Shouguang Wei Yuan Logistics Company Limited	Shouguang	Shouguang	Logistics	For-profit corporation		100%	Merger and acquisition	0	0
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang	Shouguang	Purchase and sale of waste	For-profit corporation		100%	Merger and acquisition	0	0
Shouguang Shun Da Customs Declaration Co., Ltd.	Shouguang	Shouguang	Customs declaration	For-profit corporation	100%		Establishment	0	0
Huanggang Chenming Arboriculture Development Co., Ltd.	Huanggang	Huanggang	Arboriculture	For-profit corporation	100%		Establishment	0	0
Chenming Arboriculture Co., Ltd.	Wuhan	Wuhan	Arboriculture	For-profit corporation	100%		Establishment	0	0
Hailaer Chenming Paper Co., Ltd.	Hailaer	Hailaer	Paper making	For-profit corporation	75%		Establishment	0	0
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Fund	For-profit corporation	79%		Establishment	0	0
Weifang Chendu Equity Investment Partnership (Limited Partnership)	Shouguang	Shouguang	Capital market services	For-profit corporation	79.75%		Establishment	0	0
Nanjing Chenming Culture Communication Co., Ltd.	Nanjing	Nanjing	Marketing	For-profit corporation		100%	Establishment	0	0

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority interest	Gain or loss	Dividend to	Closing balance of minority interest
		attributable to minority interest during the period	minority interest declared during the period	
Shouguang Chenming Art Paper Co., Ltd.	25.00%	396,368.16		98,249,523.36
Shouguang Meilun Paper Co., Ltd.	37.51%	12,619,413.24	9,419,178.08	2,499,723,544.78
Zhanjiang Chenming Pulp & Paper Co., Ltd.	17.33%	-17,281,674.12		1,496,781,680.24

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			Non-current liabilities	Total liabilities	Non-current assets	Total assets	Non-current liabilities	Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total assets						
Shouguang Chenming Art Paper Co., Ltd.	758,835,938.53	439,827,453.86	1,198,663,392.39	800,665,298.98	5,000,000.00	805,665,298.98	592,821,595.68	455,020,296.41	1,047,841,892.09	656,429,271.34	656,429,271.34	
Shouguang Meilun Paper Co., Ltd.	7,406,998,021.31	10,248,738,927.89	17,655,736,949.20	7,928,361,439.11	1,210,968,284.36	9,139,329,723.47	5,271,560,197.74	10,517,781,981.22	15,789,342,178.96	5,706,873,517.18	1,592,276,073.16	7,299,149,590.34
Zhanjiang Chenming Pulp & Paper Co., Ltd.	13,311,726,510.58	13,133,443,755.93	26,445,170,266.51	15,538,216,860.30	1,736,060,722.95	17,274,277,583.25	12,177,003,083.15	13,209,726,474.81	25,386,729,557.96	14,522,121,479.88	1,696,026,289.09	16,218,147,768.97

Unit: RMB

Name of subsidiary	Amount for the period			Amount for the prior period		
	Revenue	Net profit	Total comprehensive income	Revenue	Net profit	Total comprehensive income
Shouguang Chenming Art Paper Co., Ltd.	307,683,134.58	1,585,472.66	1,585,472.66	322,720,534.36	-1,342,438.95	-1,342,438.95
Shouguang Meilun Paper Co., Ltd.	4,453,614,876.18	33,639,568.69	883,836,062.48	3,956,822,454.56	114,261,960.45	114,261,960.45
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,372,507,782.65	-40,134,946.90	-37,529,841.78	5,841,511,419.81	181,827,121.84	181,827,121.84
			813,258,132.16	5,841,511,419.81	181,827,121.84	181,827,121.84
			96,313,422.22	322,720,534.36	-1,342,438.95	-1,342,438.95
			883,836,062.48	3,956,822,454.56	114,261,960.45	114,261,960.45
			813,258,132.16	5,841,511,419.81	181,827,121.84	181,827,121.84
			1,585,472.66	322,720,534.36	-1,342,438.95	-1,342,438.95
			33,639,568.69	3,956,822,454.56	114,261,960.45	114,261,960.45
			-37,529,841.78	5,841,511,419.81	181,827,121.84	181,827,121.84
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			883,836,062.48	3,956,822,454.56	114,261,960.45	114,261,960.45
			813,258,132.16	5,841,511,419.81	181,827,121.84	181,827,121.84
			1,585,472.66	322,720,534.36	-1,342,438.95	-1,342,438.95
			33,639,568.69	3,956,822,454.56	114,261,960.45	114,261,960.45
			-37,529,841.78	5,841,511,419.81	181,827,121.84	181,827,121.84
			96,313,422.22	322,720,534.36	-1,342,438.95	-1,342,438.95
			883,836,062.48	3,956,822,454.56	114,261,960.45	114,261,960.45
			813,258,132.16	5,841,511,419.81	181,827,121.84	181,827,121.84
			1,585,472.66	322,720,534.36	-1,342,438.95	-1,342,438.95
			33,639,568.69	3,956,822,454.56	114,261,960.45	114,261,960.45
			-37,529,841.78	5,841,511,419.81	181,827,121.84	181,827,121.84
			96,313,422.22	322,720,534.36	-1,342,438.95	-1,342,438.95
			883,836,062.48	3,956,822,454.56	114,261,960.45	114,261,960.45
			813,258,132.16	5,841,511,419.81	181,827,121.84	181,827,121.84
			1,585,472.66	322,720,534.36	-1,342,438.95	-1,342,438.95
			33,639,568.69	3,956,822,454.56	114,261,960.45	114,261,960.45
			-37,529,841.78	5,841,511,419.81	181,827,121.84	181,827,121.84
			96,313,422.22	322,720,534.36	-1,342,438.95	-1,342,438.95
			883,836,062.48	3,956,822,454.56	114,261,960.45	114,261,960.45
			813,258,132.16	5,841,511,419.81	181,827,121.84	181,827,121.84
			1,585,472.66	322,720,534.36	-1,342,438.95	-1,342,438.95
			33,639,568.69	3,956,822,454.56	114,261,960.45	114,261,960.45
			-37,529,841.78	5,841,511,419.81	181,827,121.84	181,827,121.84
			96,313,422.22	322,720,534.36	-1,342,438.95	-1,342,438.95
			883,836,062.48	3,956,822,454.56	114,261,960.45	114,261,960.45
			813,258,132.16	5,841,511,419.81	181,827,121.84	181,827,121.84
			1,585,472.66	322,720,534.36	-1,342,438.95	-1,342,438.95
			33,639,568.69	3,956,822,454.56	114,261,960.45	114,261,960.45
			-37,529,841.78	5,841,511,419.81	181,827,121.84	181,827,121.84
			96,313,422.22	322,720,534.36	-1,342,438.95	-1,342,438.

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IX. Interest in Other Entities (Cont'd)

2. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint venture and associate	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method for investment in joint ventures or associates
				Direct	Indirect	
Weifang Port Wood Chip Terminal Co., Ltd.	Weifang	Weifang	Port construction	50.00%		Equity method
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Shouguang	Shouguang	Investment	49.57%		Equity method
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Ningbo	Ningbo	Investment management	40.00%		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
Guangdong Nanyue Bank Co., Ltd.	Guangdong	Guangdong	Banking	6.76%		Equity method

(2) Key financial information of major joint ventures

Unit: RMB

Weifang Port Wood Chip Terminal Co., Ltd.	Closing balance/ amount for the period	Opening balance/ 'amount for the prior period
Current assets	13,917,909.50	27,197,876.06
Of which: Cash and cash equivalents	5,343,639.64	4,280,737.42
Non-current assets	480,210,142.19	489,392,605.54
Total assets	494,128,051.69	516,590,481.60
Current liabilities	29,483,896.67	24,865,100.48
Non-current liabilities	338,050,969.91	357,300,969.89
Total liabilities	367,534,866.58	382,166,070.37
Minority interest		
Equity interest attributable to shareholders of the parent company	126,593,185.11	134,424,411.23
Share of net assets based on shareholding	63,296,592.56	67,212,205.62
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others	7,636,365.12	7,636,365.12
Carrying amount of equity investment in joint ventures	70,932,957.67	74,848,570.73
Fair value of equity investment in joint ventures where publicly quoted prices exist		
Revenue	26,129,240.43	31,433,562.91
Finance expenses	9,778,624.54	10,778,949.56
Income tax expenses		
Net profit	-8,041,206.50	-6,013,863.17
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-8,041,206.50	-6,013,863.17
Dividends received from joint ventures during the year		

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IX. Interest in Other Entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures (Cont'd)

Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	Closing balance/ amount for the period	Opening balance/ amount for the prior period
Current assets	1,366,378,092.22	1,373,114,822.27
Of which: Cash and cash equivalents	98,092.22	98,300.08
Non-current assets	992,000,000.00	992,000,000.00
Total assets	2,358,378,092.22	2,365,114,822.27
Current liabilities	1,000.00	1,000.00
Non-current liabilities		
Total liabilities	1,000.00	1,000.00
Minority interest		
Equity interest attributable to shareholders of the parent company	2,358,377,092.22	2,365,113,822.27
Share of net assets based on shareholding	1,169,033,374.35	1,172,372,731.02
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others	1,190,162,160.01	1,187,625,930.65
Carrying amount of equity investment in joint ventures	2,359,195,534.36	2,359,998,661.67
Fair value of equity investment in joint ventures where publicly quoted prices exist		
Revenue		
Finance expenses	1,620,207.86	
Income tax expenses		
Net profit	-1,620,207.86	
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income		
Dividends received from joint ventures during the year		

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IX. Interest in Other Entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates

Unit: RMB

Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Closing balance/ amount for the period	Opening balance/ amount for the prior period
Current assets	4,322,919.99	4,330,644.90
Non-current assets	189,276,814.94	189,276,814.94
Total assets	193,599,734.93	193,607,459.84
Current liabilities	149,740.00	149,740.00
Non-current liabilities		
Total liabilities	149,740.00	149,740.00
Minority interest		
Equity interest attributable to shareholders of the parent company	193,449,994.93	193,457,719.84
Share of net assets based on shareholding	77,376,902.77	77,379,992.61
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others	119,838,326.15	119,838,326.16
Carrying amount of equity investment in associates	197,215,228.92	197,218,318.77
Fair value of equity investment in associates where publicly quoted prices exist		
Revenue		
Net profit	-7,724.91	-8,044.64
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-7,724.91	-8,044.64
Dividends received from associates during the year		

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IX. Interest in Other Entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates (Cont'd)

Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Closing balance/ amount for the period	Opening balance/ amount for the prior period
Current assets	32,423,116.82	42,352,069.89
Non-current assets	31,213,708.00	31,213,708.00
Total assets	63,636,824.82	73,565,777.89
Current liabilities	5,500.00	5,000.00
Non-current liabilities		
Total liabilities	5,500.00	5,000.00
Minority interest		
Equity interest attributable to shareholders of the parent company	63,631,324.82	73,560,777.89
Share of net assets based on shareholding	31,812,480.84	36,776,710.91
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others		
Carrying amount of equity investment in associates	31,812,480.84	36,776,710.91
Fair value of equity investment in associates where publicly quoted prices exist		
Revenue		
Net profit	71,546.93	-4,006,504.95
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	71,546.93	-4,006,504.95
Dividends received from associates during the year		

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IX. Interest in Other Entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates (Cont'd)

Goldtrust Futures Co., Ltd.	Closing balance/ amount for the period	Opening balance/ amount for the prior period
Current assets	821,662,429.67	577,035,187.04
Non-current assets	480,166,319.83	297,668,426.77
Total assets	1,301,828,749.50	874,703,613.81
Current liabilities	1,082,672,661.98	665,847,237.87
Non-current liabilities	42,878,877.79	33,761,891.27
Total liabilities	1,125,551,539.77	699,609,129.14
Minority interest		
Equity interest attributable to shareholders of the parent company	176,277,209.73	175,094,484.67
Share of net assets based on shareholding	62,455,015.41	62,035,975.92
Adjustments		
– Goodwill	104,073,292.25	104,073,292.25
– Unrealised profit arising from intra-group transactions		
– Others	11,683,737.93	12,279,914.66
Carrying amount of equity investment in associates	178,212,045.59	178,389,182.83
Fair value of equity investment in associates where publicly quoted prices exist		
Revenue	29,661,817.38	27,108,619.25
Net profit	-2,222,578.59	-7,109,291.31
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-2,222,578.59	-7,109,291.31
Dividends received from associates during the year		

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IX. Interest in Other Entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates (Cont'd)

Guangdong Nanyue Bank Co., Ltd.	Closing balance/ amount for the period	Opening balance/ amount for the prior period
Current assets	170,787,680,642.25	153,109,778,598.66
Non-current assets	82,849,851,268.13	74,753,438,649.12
Total assets	253,637,531,910.38	227,863,217,247.78
Current liabilities	207,280,787,023.03	181,929,537,932.08
Non-current liabilities	26,578,782,100.09	26,407,317,751.35
Total liabilities	233,859,569,123.12	208,336,855,683.43
Minority interest	65,996,100.75	65,058,817.68
Equity interest attributable to shareholders of the parent company	19,711,966,686.51	19,461,302,746.67
Share of net assets based on shareholding	1,331,543,349.67	1,314,611,000.54
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others		
Carrying amount of equity investment in associates	1,331,543,349.67	1,314,611,000.54
Fair value of equity investment in associates where publicly quoted prices exist		
Revenue	1,048,426,151.95	1,372,177,865.46
Net profit	222,221,106.76	365,449,485.74
Net profit from discontinued operations		
Other comprehensive income	38,565,582.88	70,787,018.40
Total comprehensive income	260,786,689.64	436,236,504.14
Dividends received from associates during the year		

(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	118,270,992.67	108,688,888.42
Total amount of the following items based on shareholding		
– Net profit	10,682,104.25	-3,056,784.45
– Other comprehensive income		
– Total comprehensive income	10,682,104.25	-3,056,784.45
Associates:		
Total carrying amount of investment	67,490,180.52	6,482,035.69
Total amount of the following items based on shareholding		
– Net profit	3,788,119.08	-168,899.05
– Other comprehensive income		
– Total comprehensive income	3,788,119.08	-168,899.05

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X. Risk Relating to Financial Instruments

Main financial instruments of the Group include monetary funds, accounts receivable, accounts receivable financing, other receivables, non-current assets due within one year, other current assets, long-term receivables, bills payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities and long-term payables. Details of financial instruments refer to related notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled in a limited extent.

1. Risk management goals and policies

The Company aims to seek the appropriate balance between the risks and benefits in order to mitigate the adverse effects on the Company's financial performance from financial risk. Based on such objectives, the Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and devise corresponding internal control procedures, and to monitor risks faced by the Company. Such risk management policies and internal control systems are reviewed regularly to adapt to changes in market conditions and the Company's activities. The internal audit department of the Company undertakes both regular and ad-hoc reviews of risk management controls and procedures.

Risks associated with the financial instrument of the Company mainly include credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk).

The board of directors is responsible to plan and establish the Company's risk management structure, make risk management policies and related guidelines, and supervise the implementation of risk management. The Company has already made risk management risks to identify and analyse risks that the Company face. These policies mentioned specific risks, covering market, credit risk and liquidity risk etc. The Company regularly assesses market environment and the operation of the Company changes to determine if to make alteration to risk management policy and systems. The Company's risk management is implemented by Risk Management Committee according to the approval of the board of directors. The Risk Management Committee works closely with other business department of the Company to identify, evaluating and avoiding certain risks. The Company's internal audit department will audit the risk management control and procedures regularly and report the result to audit committee of the Company.

The Company spreads risks through diverse investment and business lines, and through making risk management policy to reduce risks of single industry, specific area and counterpart.

(1) Credit risk

Credit risk refers to risk associated with the default of contract obligation of a transaction counterparty resulting in financial losses to the Company.

The Company manages credit risk based category. Credit risks mainly arose from bank deposit, bills receivable, accounts receivable, other receivables and long-term receivables etc.

The Company's bank deposit mainly deposits in state-owned banks and other large and medium-sized listed banks. The Company anticipated that the bank deposit does not have significant credit risk.

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X. Risk Relating to Financial Instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(1) Credit risk (Cont'd)

For accounts receivables, other receivables and long-term receivables, the Company set related policies to control exposure of credit risks. The Company evaluates client's credit quality and set related credit period based on the client's financial status, credit records and other factors such as current market situation etc. The Company keeps monitor the client's credit record and for client with deteriorate credit records, the Company will ensure the credit risk is under control in whole by means of written notice of payment collection, shorten or cancel credit period.

The Company's debtor spread over different industry and area. The Company continued to assess the credit evaluation to receivables and purchase credit guarantee insurance if necessary.

The biggest credit risk exposure of the Company is the carrying amount of each financial asset in the balance sheet. The Company did not provide financial guarantee which resulted in credit risks.

The amount of top 5 accounts receivable of the Company accounted for 33.03% (2022: 30.43%) of the Company's total accounts receivables. The amount of top 5 other receivable of the Company accounted for 59.52% (2022: 64.05%) of the Company's total other receivables.

(2) Liquidity risk

Liquidity risk refers to the risks that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, we obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash of the Company was generated from capital and bank and other borrowings. As at 30 June 2023, the Company's unused bank loan credit was RMB43,059.3568 million (31 December 2022: RMB42,790.5456 million).

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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, financial liabilities and off balance sheet guarantee held by the Company are analysed by their maturity date as below at their remaining undiscounted contractual cash flows (in RMB'0,000):

Item	Within 1 year	Closing balance			Total
		1 to 2 years	2 to 5 years	over 5 years	
Financial assets:					
Monetary funds	1,375,553.09				1,375,553.09
Accounts receivable	341,524.57				341,524.57
Accounts receivable financing	61,479.44				61,479.44
Other receivables	211,338.83				211,338.83
Long-term receivables		30,774.14	134,798.60		165,572.74
Other current assets	116,088.65				116,088.65
Non-current assets due within one year	395,340.31				395,340.31
Total financial assets	2,501,324.89	30,774.14	134,798.60		2,666,897.63
Financial liabilities:					
Short-term borrowings	3,494,652.71				3,494,652.71
Bills payable	353,080.38				353,080.38
Accounts payable	397,208.26				397,208.26
Other payables	205,933.46				205,933.46
Non-current liabilities due within one year	435,000.57				435,000.57
Long-term borrowings		95,041.95	258,081.07	136,431.61	489,554.63
Lease liabilities		446.64	1,418.27	4,928.31	6,793.22
Long-term payables		157,089.70	94,238.35	48,653.02	299,981.07
Total financial liabilities and contingent liabilities	4,885,875.38	252,578.29	353,737.69	190,012.94	5,682,204.30

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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 prior year, the financial assets, financial liabilities and off-balance sheet guarantee held by the Company are analysed by their maturity date as below at their remaining undiscounted contractual cash flows (in RMB'0,000):

Item	Closing balance of the prior year				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets:					
Monetary funds	1,400,043.50				1,400,043.50
Accounts receivable	370,056.08				370,056.08
Accounts receivable financing	92,496.04				92,496.04
Other receivables	219,982.47				219,982.47
Long-term receivables		139,749.85	34,634.23		174,384.08
Other current assets	79,590.39				79,590.39
Non-current assets due within one year	492,071.00				492,071.00
Total financial assets	2,654,239.48	139,749.85	34,634.23		2,828,623.56
Financial liabilities:					
Short-term borrowings	3,638,504.83				3,638,504.83
Bills payable	312,859.58				312,859.58
Accounts payable	411,496.68				411,496.68
Other payables	185,450.80				185,450.80
Non-current liabilities due within one year	487,609.74				487,609.74
Long-term borrowings		102,329.00	181,247.82	114,646.81	398,223.63
Lease liabilities		408.73	1,338.55	5,485.00	7,232.28
Long-term payables		169,345.00	105,959.87	59,653.02	334,957.89
Total financial liabilities and contingent liabilities	5,035,921.63	272,082.73	288,546.24	179,784.83	5,776,335.43

The financial liabilities disclosed above are based on cash flows that are not discounted and may differ from the carrying amount of the line items of the balance sheet.

Maximum guarantee amount for signed guarantee contracts does not represent the amount to be paid.

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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 rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Company's interest rate risk arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Company continuously monitors the interest rate position of the Company. The Company did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Company's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

Interest bearing financial instrument held by the Company are as follows (in RMB'0,000):

Item	Balance for the period	Balance for the prior period
Financial instrument with fixed interest rate		
Financial liabilities		
Of which: Short-term borrowings	3,494,652.71	3,638,504.83
Long-term borrowings	489,554.63	398,223.63
Long-term borrowings due within one year	164,102.55	192,074.82
Bonds payable due within one year		35,000.00
Total	4,148,309.89	4,263,803.28
Financial instrument with floating interest rate		
Financial assets		
Of which: Monetary funds	183,919.23	215,596.89
Total	183,919.23	215,596.89

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X. Risk Relating to Financial Instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(3) Market risk (Cont'd)

Interest rate risk (Cont'd)

As at 30 June 2023, if the interest rates of borrowings at floating interest rates increase or decrease by 25 basis points with all other factors remain unchanged, the Company's net profit and shareholders' equity will increase or decrease by RMB103,707,700 (31 December 2022: RMB105,720,100).

The financial instruments held by the Company at the reporting date expose the Company to fair value interest rate risk. This sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Company at the reporting date expose the Company to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the effect to the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for prior year.

Exchange rate risk

Exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will be fluctuated due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The principal business of the Company is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognised by the Company (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Japanese yen, South Korean Won, Euro, Hong Kong dollar and British pound).

The following table details the financial assets and liabilities held by the Company which denominated in foreign currencies and amounted to RMB as at 30 June 2023 are as follows (in RMB'0,000):

Item	Liabilities denominated in foreign currency		Asset denominated in foreign currency	
	Closing balance	Closing balance of the prior year	Closing balance	Closing balance of the prior year
USD	78,991.02	130,604.70	50,266.48	88,289.61
EUR	2,416.65	20,033.37	9,218.04	14,744.91
HKD			94.63	100.71
JPY			735.15	768.90
GBP			1.51	1.37
Total	81,407.67	150,638.07	60,315.81	103,905.5

The Group continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks it faces, and for this reason the Group may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts.

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X. Risk Relating to Financial Instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(3) Market risk (Cont'd)

Exchange rate 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 Company is as follows (in RMB'0,000):

Increase (decrease) in after-tax profits	Balance for the period		Balance for the prior period	
Increase in exchange rate of USD	5%	-1,436.23	5%	-2,115.75
Decrease in exchange rate of USD	-5%	1,436.23	-5%	2,115.75
Increase in exchange rate of EUR	5%	-340.07	5%	-264.42
Decrease in exchange rate of EUR	-5%	340.07	-5%	264.42

Other price risks

Other price risks refer to the risk of fluctuations caused by changes in market prices other than exchange rate risks and interest rate risks, whether arising from factors related to a single financial instrument or its issuer, or from factors related to all similar financial instruments traded on the market. Other price risks can stem from changes in commodity prices, stock market indexes, equity instrument prices, and other risk variables.

Listed equity instrument investments held by the Company classified as financial assets held for trading, other non-current financial assets and other equity instrument investments are measured at fair value on the balance sheet date. Therefore, the Company is subject to the risk of changes in the securities market.

The Company monitors closely the impact of price changes on the price risk of the Company's investment in equity securities. The Company has not taken any measures to avoid other price risks. However, the management is responsible for monitoring other price risks, and will consider holding multiple equity securities portfolios to reduce the price risk of equity securities investment when necessary.

With other variables unchanged, the after-tax effect of the change of -32.49% (last year: -32.63%) in equity securities investment prices on the Company's current profit and loss and other comprehensive income is as follows (unit: RMB'0,000):

Item	Increase (decrease) in after-tax profits		Increase (decrease) in other comprehensive income	
	Balance for the period	Balance for the prior period	Balance for the period	Balance for the prior period
Due to the rise in the price of equity securities investment				
Due to the decline in the price of equity securities investment	-2,427.46	-3,617.77		

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X. Risk Relating to Financial Instruments (Cont'd)

2. Capital management

The objective of the Company's capital risk management is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust its financing methods, adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net liabilities divided by total capital. As at 30 June 2023, the Company's gearing ratio is 72.28% (31 December 2022: 71.85%).

XI. Fair Value Disclosure

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorised as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).

Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

1. 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 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuous measurement of fair value	—	—	—	—
(I) Financial assets held for trading	50,433,870.59			50,433,870.59
(1) Equity instrument investments	50,433,870.59			50,433,870.59
(II) Accounts receivable financing			614,794,433.04	614,794,433.04
(III) Other non-current financial assets			785,374,459.73	785,374,459.73
(IV) Biological assets			1,492,153,527.46	1,492,153,527.46
1. Consumable biological assets			1,492,153,527.46	1,492,153,527.46
Total assets continuously measured at fair value	50,433,870.59		2,892,322,420.23	2,942,756,290.82

In the current year, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3 for the fair value measurements of the Company's financial assets and financial liabilities.

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XI. Fair Value Disclosure (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.	77,860,000.00	Cost method		
Consumable biological assets: Forestry	1,492,153,527.46	Replacement cost method	Cost per mu for the first year of Eucalyptus	854.36 (RMB/tonne)
			Cost per mu for the first year of Pines	627.52 (RMB/tonne)
		Roll back method of market price	Unit price per tonne of Eucalyptus wood	575.00 (RMB/tonne)
			Unit price per tonne of wet pine	572.00 (RMB/tonne)
			Unit price per tonne of Chinese fir	695.00 (RMB/tonne)

XII. Related Parties and Related Party Transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital (RMB'0,000)	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	123,878.77	27.57%	27.57%

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

2. Subsidiaries of the Company

For details of the Company's subsidiaries, please refer to Note IX. 1.

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XII. Related Parties and Related Party Transactions (Cont'd)

3. Joint ventures and associates of the Company

For details of material joint ventures and associates of the Company, please refer to Note IX. 2.

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 Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Company
Weifang Port Wood Chip Terminal Co., Ltd.	A joint venture of the Company
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture of the Company
Weifang Xingxing United Chemical Co., Ltd.	A joint venture of the Company
Chenming (Qingdao) Asset Management Co., Ltd.	An associate of the Company
Guangdong Nanyue Bank Co., Ltd.	An associate of the Company
Lide Technology Co., Ltd.	An associate of the Company

Other explanation: The former name of Weifang Port Wood Chip Terminal Co., Ltd. was Weifang Sime Darby West Port Co., Ltd.

4. Other related parties

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

5. Related party transactions

(1) Purchase and sales of goods and rendering and receiving services

Table on purchase of goods/receiving of services

Unit: RMB					
Related party	Details of related party transaction	Amount for the period	Transaction facility approved	Whether the transaction facility is exceeded	Amount for the prior period
Weifang Port Wood Chip Terminal Co., Ltd.	Port miscellaneous expenses	20,317,747.45	N/A	N/A	32,355,133.76

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XII. Related Parties and Related Party Transactions (Cont'd)

5. Related party transactions (Cont'd)

(1) Purchase and sales of goods and rendering and receiving services (Cont'd)

Table on sales of goods/providing of services

Unit: RMB

Related party	Details of related party transaction	Amount for the period	Amount for the prior period
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Sales of electricity and steam	7,876,218.22	8,581,891.97
Shouguang Huixin Construction Materials Co., Ltd.	Sales of cement, coal, oil, etc.	55,815.97	26,377.86

(2) Related party leasing

The Company as lessor:

Unit: RMB

Name of lessee	Type of leased asset	Lease income recognised for the current period	Lease income recognised for the previous period
Shouguang Meite Environmental Technology Co., Ltd.	Investment property	733,944.95	733,944.95
Chenming (Qingdao) Asset Management Co., Ltd.	Housing and building structure	431,707.46	337,346.26
Lide Technology Co., Ltd.	Housing and building structure	949,010.43	872,208.34

(3) Related party guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Hainan Chenming Technology Co., Ltd.	30,000,000.00	2022-9-20	2023-9-20	No
Hainan Chenming Technology Co., Ltd.	50,000,000.00	2023-3-30	2024-3-30	No
Hainan Chenming Technology Co., Ltd.	30,000,000.00	2022-9-20	2023-9-19	No
Hainan Chenming Technology Co., Ltd.	50,000,000.00	2023-3-30	2024-3-29	No
Hainan Chenming Technology Co., Ltd.	20,100,000.00	2022-9-20	2023-9-20	No
Hainan Chenming Technology Co., Ltd.	100,000,000.00	2023-3-30	2023-9-28	No
Hainan Chenming Technology Co., Ltd.	186,000,000.00	2023-3-29	2023-9-28	No
Hainan Chenming Technology Co., Ltd.	39,600,000.00	2023-4-6	2023-10-6	No
Hainan Chenming Technology Co., Ltd.	100,000,000.00	2023-5-31	2023-11-30	No
Hainan Chenming Technology Co., Ltd.	56,400,000.00	2023-6-29	2023-12-29	No

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XII. Related Parties and Related Party Transactions (Cont'd)

5. Related party transactions (Cont'd)

(3) Related party guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Hainan Chenming Technology Co., Ltd.	30,000,000.00	2023-2-10	2023-8-10	No
Hainan Chenming Technology Co., Ltd.	20,000,000.00	2023-3-16	2023-8-16	No
Hainan Chenming Technology Co., Ltd.	50,050,000.00	2023-5-25	2023-11-25	No
Hainan Chenming Technology Co., Ltd.	19,950,000.00	2023-5-30	2023-11-30	No
Huanggang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2023-4-27	2024/4/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2023-5-23	2024/5/22	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2022-7-27	2023/7/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2022-8-19	2023/8/18	No
Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2022-8-24	2023/8/23	No
Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2022-12-23	2023/12/22	No
Huanggang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-1-3	2023/12/22	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2022-8-17	2023/8/17	No
Huanggang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-9-27	2023/9/26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-10-13	2023/10/13	No
Jilin Chenming Paper Co., Ltd.	8,000,000.00	2023-5-31	2023-11-27	No
Jilin Chenming Paper Co., Ltd.	18,000,000.00	2023-6-27	2024-5-10	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-8-10	2023-8-7	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-8-30	2023-8-28	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2023-1-19	2024-1-18	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2022-9-9	2023-9-4	No
Jiangxi Chenming Paper Co., Ltd.	30,000,000.00	2023-1-12	2023-7-9	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2023-1-12	2023-7-9	No
Jiangxi Chenming Paper Co., Ltd.	94,000,000.00	2023-3-18	2023-9-13	No
Jiangxi Chenming Paper Co., Ltd.	99,450,000.00	2023-3-18	2023-9-13	No
Jiangxi Chenming Paper Co., Ltd.	800,000.00	2023-3-15	2023-9-15	No
Jiangxi Chenming Paper Co., Ltd.	12,100,000.00	2023-3-22	2023-9-18	No
Jiangxi Chenming Paper Co., Ltd.	13,867,900.00	2023-2-16	2023-8-16	No
Jiangxi Chenming Paper Co., Ltd.	3,016,141.59	2023-3-10	2023-9-4	No
Jiangxi Chenming Paper Co., Ltd.	31,000,000.00	2023-3-31	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	2,000,000.00	2023-4-12	2023-10-12	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2023-4-20	2024-4-19	No
Jiangxi Chenming Paper Co., Ltd.	1,000,000.00	2023-5-4	2023-11-4	No
Jiangxi Chenming Paper Co., Ltd.	33,000,000.00	2023-5-9	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	160,000,000.00	2023-5-24	2024-5-22	No
Jiangxi Chenming Paper Co., Ltd.	60,000,000.00	2023-5-25	2024-5-22	No
Jiangxi Chenming Paper Co., Ltd.	1,400,000.00	2023-6-8	2023-12-8	No
Jiangxi Chenming Paper Co., Ltd.	1,650,000.00	2023-6-9	2023-9-9	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2023-6-12	2024-6-7	No
Jiangxi Chenming Paper Co., Ltd.	30,000,000.00	2023-6-13	2024-6-11	No
Jiangxi Chenming Paper Co., Ltd.	80,000,000.00	2023-6-16	2024-6-15	No

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XII. Related Parties and Related Party Transactions (Cont'd)

5. Related party transactions (Cont'd)

(3) Related party guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	2023-6-19	2024-5-22	No
Jiangxi Chenming Paper Co., Ltd.	250,000,000.00	2023-6-19	2024-6-13	No
Jiangxi Chenming Paper Co., Ltd.	14,002,000.00	2023-6-19	2023-12-15	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2023-6-20	2024-6-17	No
Jiangxi Chenming Paper Co., Ltd.	20,000,000.00	2023-6-21	2024-6-17	No
Jiangxi Chenming Paper Co., Ltd.	17,924,293.14	2023-6-25	2024-6-20	No
Jiangxi Chenming Paper Co., Ltd.	2,550,000.00	2023-6-27	2024-9-30	No
Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2023-6-29	2024-6-24	No
Jiangxi Chenming Paper Co., Ltd.	250,000,000.00	2023-6-30	2024-6-28	No
Jiangxi Chenming Paper Co., Ltd.	80,000,000.00	2022-7-1	2024-7-1	No
Shouguang Chenming Import and Export Trade Co., Ltd.	149,995,461.94	2023-6-27	2023-12-25	No
Shandong Chenming Paper Sales Co., Ltd.	150,000,000.00	2022-8-19	2023-8-22	No
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2022-9-16	2023-9-19	No
Shandong Chenming Paper Sales Co., Ltd.	80,000,000.00	2022-9-16	2023-9-19	No
Shandong Chenming Paper Sales Co., Ltd.	165,854,444.58	2022-10-9	2023-10-8	No
Shandong Chenming Paper Sales Co., Ltd.	379,780,113.16	2022-10-9	2023-10-8	No
Shandong Chenming Paper Sales Co., Ltd.	160,000,000.00	2022-12-23	2023-12-18	No
Shandong Chenming Paper Sales Co., Ltd.	260,000,000.00	2022-12-23	2023-12-18	No
Shandong Chenming Paper Sales Co., Ltd.	50,000,000.00	2023-1-5	2024-1-2	No
Shandong Chenming Paper Sales Co., Ltd.	50,000,000.00	2023-1-12	2024-1-8	No
Shandong Chenming Paper Sales Co., Ltd.	290,525,401.17	2023-2-13	2023-8-11	No
Shandong Chenming Paper Sales Co., Ltd.	330,033,668.83	2023-4-6	2024-4-8	No
Shandong Chenming Paper Sales Co., Ltd.	129,933,410.35	2023-4-6	2024-4-8	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	5,000,000.00	2022-10-26	2023-10-25	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	50,000,000.00	2023-2-23	2023-8-23	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2023-5-29	2024-5-25	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2023-2-13	2026-2-12	No
Kunshan Tuoan Plastic Products Co., Ltd.	10,000,000.00	2023/2/27	2023/8/26	No
Kunshan Tuoan Plastic Products Co., Ltd.	20,000,000.00	2023/2/27	2024/2/26	No
Chenming (HK) Limited	77,298,616.85	2023-5-18	2023-11-14	No
Shouguang Meilun Paper Co., Ltd.	364,394,014.75	2023-6-19	2024-6-19	No
Shouguang Meilun Paper Co., Ltd.	88,180,874.40	2023-6-27	2024-6-27	No
Shouguang Meilun Paper Co., Ltd.	44,000,000.00	2022-7-31	2023-7-30	No
Shouguang Meilun Paper Co., Ltd.	205,308,929.42	2023-1-11	2023-7-10	No
Shouguang Meilun Paper Co., Ltd.	38,551,963.36	2023-2-8	2023-8-7	No
Shouguang Meilun Paper Co., Ltd.	10,000,000.00	2023-2-28	2024-2-27	No
Shouguang Meilun Paper Co., Ltd.	190,200,798.22	2023-6-19	2023-12-15	No
Shouguang Meilun Paper Co., Ltd.	34,000,000.00	2023-4-28	2023-7-27	No

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XII. Related Parties and Related Party Transactions (Cont'd)

5. Related party transactions (Cont'd)

(3) Related party guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Shouguang Meilun Paper Co., Ltd.	285,000,000.00	2023-6-29	2023/12/26	No
Shouguang Meilun Paper Co., Ltd.	125,573,440.23	2023-1-29	2023-7-31	No
Shouguang Meilun Paper Co., Ltd.	100,164,057.08	2022-7-29	2023-7-24	No
Shouguang Meilun Paper Co., Ltd.	20,000,000.00	2022-8-31	2023-8-31	No
Shouguang Meilun Paper Co., Ltd.	200,000,000.00	2023-4-25	2024-4-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2022-8-9	2023-8-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2022-8-12	2023-8-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2022-8-17	2023-8-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2022-8-18	2023-8-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	59,000,000.00	2022-8-19	2023-8-18	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-9-14	2023-9-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2022-10-9	2023-10-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	57,500,000.00	2022-10-18	2023-10-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-11-16	2023-11-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-11-29	2023-11-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	47,382,000.00	2022-12-21	2023-12-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2023-1-12	2023-8-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2023-1-18	2023-7-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	21,000,000.00	2023-1-16	2024-1-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-1-18	2023-7-17	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15,000,000.00	2023-1-20	2024-1-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14,000,000.00	2023-1-30	2024-1-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2023-2-15	2023-8-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	2023-2-23	2024-3-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2023-2-23	2024-3-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-3-23	2024-3-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	45,000,000.00	2023-3-28	2023-9-22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-3-29	2023-9-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	4,000,000.00	2023-4-3	2024-4-2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2023-4-25	2023-10-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	68,000,000.00	2023-4-24	2024-4-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	120,000,000.00	2023-4-21	2024-4-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-5-6	2023-10-25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	74,500,000.00	2023-5-25	2024-5-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,600,000.00	2023-5-30	2023-11-27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-5-9	2023-11-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2023-6-9	2023-12-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	220,000,000.00	2023-6-8	2024-5-26	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	2023-6-21	2023-12-18	No

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XII. Related Parties and Related Party Transactions (Cont'd)

5. Related party transactions (Cont'd)

(3) Related party guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2023-6-25	2024-6-24	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	81,200,000.00	2023-6-19	2024-6-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2023-6-21	2024-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	77,450,000.00	2020-10-16	2023-10-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	112,450,000.00	2020-11-11	2023-11-10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	98,000,000.00	2020-12-10	2023-12-9	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	98,000,000.00	2021-1-5	2024-1-4	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	140,000,000.00	2021-12-23	2023-12-23	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2022-6-17	2025-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2022-6-17	2025-6-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2022-5-31	2024-5-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2022-1-26	2023-12-22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	47,000,000.00	2022-10-25	2024-10-19	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	137,133,300.00	2022-6-29	2025-6-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	93,000,000.00	2023-3-31	2026-3-29	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2023-6-20	2026-6-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	180,000,000.00	2023-6-2	2026-6-20	No
Weifang Port Wood Chip Terminal Co., Ltd.	105,200,000.00	2017-12-20	2027-12-20	No
Total	11,701,070,829.07			

(4) Related party lending and borrowing

Unit: RMB

Related party	Borrowing amount	Commencement date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	40,000,000.00	2023-1-1	2023-6-30	Controlling shareholder
Guangdong Nanyue Bank Co., Ltd.	842,600,000.00	2023-1-1	2023-6-30	Associate

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XII. Related Parties and Related Party Transactions (Cont'd)

6. Related party accounts receivable and accounts payable

(1) Receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debts provision	Book balance	Bad debts provision
Accounts receivable	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	6,467,589.17	6,692.83	1,856,833.50	1,392.06
Accounts receivable	Shouguang Huixin Construction Materials Co., Ltd.	27,073.79	63.66		
Other receivables	Weifang Port Wood Chip Terminal Co., Ltd.	73,622,749.85	7,448,990.02	71,722,249.85	3,755,227.15
Accounts receivable	Shouguang Meite Environmental Technology Co., Ltd.			6,782,462.48	1,774,117.95
Payments in advance	Shouguang Meite Environmental Technology Co., Ltd.			6,370,726.99	
Other receivables	Shouguang Meite Environmental Technology Co., Ltd.	16,799,133.87	3,286,036.69	18,291,242.68	1,779,523.20
Other receivables	Xuchang Chenming Paper Co., Ltd.	327,400.00	6,791.28	327,400.00	6,791.28

(2) Payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Weifang Port Wood Chip Terminal Co., Ltd.	7,367,747.45	19,479,518.82
Accounts payable	Shouguang Meite Environmental Technology Co., Ltd.	8,382,468.95	
Accounts payable	Weifang Xingxing United Chemical Co., Ltd.	26,905,494.34	26,905,494.34
Other payables	Weifang Xingxing United Chemical Co., Ltd.	16,860,000.00	16,860,000.00
Other payables	Lide Technology Co., Ltd.	559,897.05	508,619.46
Other payables	Chenming (Qingdao) Asset Management Co., Ltd.	115,583.42	116,656.55
Receipts in advance	Chenming (Qingdao) Asset Management Co., Ltd.		2,000.00
Contract liabilities	Shouguang Huixin Construction Materials Co., Ltd.		20,000.00

(3) Deposits with related parties

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Bank deposit	Guangdong Nanyue Bank Co., Ltd.	50,022,794.15	10,069,515.51
Other monetary funds	Guangdong Nanyue Bank Co., Ltd.	1,027,400,000.00	927,400,000.00

(4) Loans from related parties

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	2,059,100,000.00	1,909,100,000.00

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	0
Total exercised equity instruments of the Company during the period	0
Total lapsed equity instruments of the Company during the period	22,645,800.00
Range of exercise prices and contractual remaining period for share options issued by the Company at the end of the period	See explanation for details

Other explanation: On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company, by which 79.60 million restricted shares were granted. The grant date was 29 May 2020, and the fair value of the restricted shares was the ex-rights price of the shares on the grant date. The Restricted Shares to be granted under the Incentive Scheme were “granted once and unlocked in batches”. For the period commencing from the first trading day after expiry of the 24-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed, 40% of the Restricted Shares will be unlocked; for the period commencing from the first trading day after expiry of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed, 30% of the Restricted Shares will be unlocked; for the period commencing from the first trading day after expiry of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 60-month period from the date on which the registration of the grant of the Restricted Shares is completed, 30% of the Restricted Shares will be unlocked. Meanwhile, during the three accounting years from 2021 to 2023, the Restricted Shares granted under the Incentive Scheme shall be subject to annual performance appraisal for unlocking (for details of specific performance evaluation conditions, please refer to the announcement of the Company). The Company estimated that the performance indicators for 2023 cannot be fulfilled, and the corresponding third batch of the 30% Restricted Shares cannot be unlocked. In addition, 49,652,000 shares lapsed due to the resignation of some Senior Management members.

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	Nil
Accumulated amount of equity-settled share-based payment included in the capital reserve	58,698,080.00
Total amount of equity-settled share-based payment recognised in the current period	-27,467,521.92

Other explanation: At each balance sheet date during the vesting period, the Company, based on the latest information such as the latest update on the change in the number of entitled employees, will make best estimates to adjust the expected number of equity instruments that can be vested. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

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XIV. Undertaking and Contingency

1. Significant commitments

Significant commitments as at the balance sheet date

Unit: RMB

Capital commitments contracted for but not yet necessary to be recognised on the balance sheet	Closing balance	Opening balance
Commitments in relation to acquisition and construction of long-term assets	394,868,914.72	184,833,000.27

2. Contingency

As at 30 June 2023, the Company had no contingent items such as outstanding litigation and external guarantees that should be disclosed.

XV. Post-balance Sheet Event

- On 11 May 2023, Shandong Chenming Paper Holdings Limited published the Announcement on the Exercise of the Redemption Option of the 2017 First Tranche of Medium-term Notes and the Announcement on the Redemption of the 2017 First Tranche of Medium-term Notes on Shanghai Clearing House (www.shclearing.com) and Chinamoney (www.chinamoney.com.cn). The Company intended to redeem “17 Lu Chenming MTN001” in full. The date of principal and interest payment was 12 July 2023, and the amount of principal and interest payment was RMB1,089.7 million. On 12 July 2023, the Company completed the payment of the principal and interest of “17 Lu Chenming MTN001” (bond code: 101779001), with a total of RMB1,089.7 million in principal and interest paid.
- On 17 July 2023, Shandong Chenming Paper Holdings Limited convened the ninth extraordinary meeting of the tenth session of the Board and the fifth extraordinary meeting of the tenth session of the Supervisory Committee, at which, the Resolution on Failing to Fulfil the Unlocking Conditions for the Second Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares was considered and approved. The resolution allowed the repurchase and cancellation of 22,929,000 restricted A shares of the participants that have been granted but not yet unlocked, including 22,593,000 restricted shares granted to 98 participants for the second unlocking period, and 336,000 restricted shares granted to five departed staff for the third unlocking period. All the related Directors and related Supervisors have abstained from voting. The changes in the share capital structure of the Company after the repurchase and cancellation are as follows:

Nature of shares	Before the change		Change Number (shares)	After the change	
	Number (shares)	Percentage		Number (shares)	Percentage
Restricted shares	59,507,587	2.00%	-22,929,000	36,578,587	1.24%
Non-restricted shares	2,920,234,613	98.00%		2,920,234,613	98.76%
Total number of shares	2,979,742,200	100.00%	-22,929,000	2,956,813,200	100.00%

XVI. Other Material Matters

1. Segment information

(1) Basis for determination and accounting policies

According to the Company's internal organisational structure, management requirements and internal reporting system, the Company's operating business is divided into 4 reporting segments. These report segments are determined based on the financial information required by the company's daily internal management. The management of the Group regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

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XVI. Other Material Matters (Cont'd)

1. Segment information (Cont'd)

(1) Basis for determination and accounting policies (Cont'd)

The Company's reporting segments include:

- (1) Machine-made paper and pulp segment, which is responsible for production and sales of machine-made paper and pulp;
- (2) Financial services segment, which provides financial services;
- (3) Hotels and property rentals segment, which engages in property leasing;
- (4) Other segments, which is responsible for the above segments otherwise.

Segment report information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. These accounting policies and measurement basis are consistent with the accounting policies and measurement basis used in preparing the financial statements.

(2) Financial information of reporting segment

Unit: RMB

Item	Machine-made paper and pulp	Financial services	Hotels and property rentals	Others	Elimination	Total
Revenue	39,476,912,657.97	177,268,060.87	131,290,586.44	572,304,835.43	27,792,813,359.40	12,564,962,781.31
Of which: revenue from external transactions	12,065,096,786.14	90,836,358.97	118,740,344.32	290,289,291.88	-	12,564,962,781.31
Revenue from inter-segment transactions	27,411,815,871.83	86,431,701.90	12,550,242.12	282,015,543.55	27,792,813,359.40	-
Of which: Revenue from principal activities	31,384,239,458.66	177,173,721.25	60,933,019.69	413,380,818.93	19,614,791,305.75	12,420,935,712.78
Operating costs	38,520,939,069.72	126,482,676.26	68,582,448.16	542,328,134.83	27,761,600,666.39	11,496,731,662.58
Of which: Costs of principal activities	30,859,129,272.33	126,482,676.26	37,016,668.91	393,758,731.55	20,039,182,154.16	11,377,205,194.89
Operating expenses	91,452,287.47	145,808.06	11,116,898.90	3,953,215.77	1,492.66	106,666,717.54
Of which: Salaries	45,098,380.67	72,901.73	3,574,025.74	1,621,662.12	-	50,366,970.26
Depreciation expenses	924,400.19	-	1,889,865.39	5,862.18	-	2,820,127.76
Office expenses	1,128,584.76	-	6,629.23	2,058.20	-	1,137,272.19
Travel expenses	11,756,448.37	12,886.33	1,223.13	232,659.36	-	12,003,217.19
Selling commissions	790,986.61	-	2,425,469.11	171,028.20	-	3,387,483.92
Rental expenses	3,195,914.93	-	-	42,264.17	-	3,238,179.10
Hospitality expenses	22,702,904.49	60,020.00	8,206.24	466,166.04	1,492.66	23,235,804.11
Warehouse expenses	93,953.41	-	-	335,267.44	-	429,220.85
Others	5,760,714.04	-	3,211,480.06	1,076,248.06	-	10,048,442.16
Operating profit/(loss)	-623,546,726.55	39,091,841.23	-61,163,817.15	56,633,428.35	314,949,905.92	-903,935,180.04
Total cost of construction in progress incurred during the period	146,009,004.57	-	-	2,509,433.97	-	148,518,438.54
Fixed assets acquired in the current period	79,181,364.03	-	157,609.55	455,396.13	-	79,794,369.71
Intangible assets acquired during the period	24,205,100.00	-	-	-	-	24,205,100.00
Total assets	152,006,775,904.45	22,919,601,699.02	8,438,207,685.88	10,515,826,833.53	111,227,551,366.30	82,652,860,756.58
Total liabilities	107,344,765,983.53	5,073,124,221.75	3,855,939,230.82	3,905,173,097.84	60,441,256,630.31	59,737,745,903.63

Basis of accounting: The transfer prices between the Company's segments are based on market prices.

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

1. 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	Provision percentage (%)		Amount	Percentage (%)	Amount	Provision percentage (%)	
Accounts receivable assessed individually for bad debt provision										
Accounts receivable assessed collectively for bad debt provision	2,524,824,903.83	100.00	4,565,784.22	0.18	2,520,259,119.61	139,392,924.13	100.00	4,637,396.40	3.33	134,755,527.73
Of which:										
Due from related party customers	2,512,278,523.26	99.50	6,658.13	0.00	2,512,271,865.13	101,246,295.74	72.63			101,246,295.74
Due from non-related party customers	12,546,380.57	0.50	4,559,126.09	36.34	7,987,254.48	38,146,628.39	27.37	4,637,396.40	12.16	33,509,231.99
Total	2,524,824,903.83	100.00	4,565,784.22	0.18	2,520,259,119.61	139,392,924.13	100.00	4,637,396.40	3.33	134,755,527.73

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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)

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

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage (%)
Within 1 year	2,512,278,523.26	6,658.13	0.00
Total	2,512,278,523.26	6,658.13	0.00

Items assessed collectively for bad debt provision: Receivables from non-related party customer

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage (%)
Within 1 year	8,043,559.40	56,304.92	0.70
1 to 2 years			
2 to 3 years			
Over 3 years	4,502,821.17	4,502,821.17	100.00
Total	12,546,380.57	4,559,126.09	36.34

Disclosure by ageing

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	2,520,322,082.66
1 to 2 years	
2 to 3 years	
Over 3 years	4,502,821.17
Subtotal	2,524,824,903.83
Less: Bad debt provision	4,565,784.22
Total	2,520,259,119.61

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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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision	4,637,396.40		71,612.18			4,565,784.22
Total	4,637,396.40		71,612.18			4,565,784.22

(3) Top five accounts receivable based on closing balance of debtors

The total amount of top five accounts receivable based on closing balance of debtors for the period amounted to RMB2,511,327,361.34 in total, accounting for 99.47% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB0.00 in total.

Unit: RMB

Name of entity	Closing balance of accounts receivable	Percentage to total closing balance of accounts receivable	Closing balance of bad debt provision
Customer I	1,417,896,807.62	56.16	
Customer II	1,000,000,000.00	39.61	
Customer III	72,800,000.00	2.88	
Customer IV	10,630,553.72	0.42	
Customer V	10,000,000.00	0.40	
Total	2,511,327,361.34	99.47	

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

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	8,352,806,067.27	9,337,019,470.13
Total	8,352,806,067.27	9,337,019,470.13

(1) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	8,415,914,078.75	9,391,199,670.38
Reserve and borrowings	20,758,876.60	15,112,113.60
Guarantee deposit and deposit	730,500.00	850,000.00
Others	4,908,983.57	13,027,863.16
Total	8,442,312,438.92	9,420,189,647.14

(2) Particulars of bad debt provision

Unit: RMB

Bad debts provision	Stage 1	Stage 2	Stage 3	Total
	ECLs for the next 12 months	Lifetime ECLs (not credit-impaired)	Lifetime ECLs (credit-impaired)	
Balance as at 1 January 2023	34,208,745.73		48,961,431.28	83,170,177.01
Balance as at 1 January 2023 for the period				
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Provision for the period	5,914,844.93		421,349.71	6,336,194.64
Reversal for the period				
Transfer for the period				
Write-off for the period				
Other changes				
Balance as at 30 June 2023	40,123,590.66		49,382,780.99	89,506,371.65

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

2. Other receivables (Cont'd)

(2) Particulars of bad debt provision (Cont'd)

Changes in carrying book balances with significant changes in loss provision for the period

Applicable Not applicable

Disclosure by ageing

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	8,290,851,749.53
1 to 2 years	68,570,416.65
2 to 3 years	3,547,424.94
Over 3 years	79,342,847.80
Total	8,442,312,438.92

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Other receivables	83,170,177.01	6,336,194.64				89,506,371.65
Total	83,170,177.01	6,336,194.64				89,506,371.65

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

2. Other receivables (Cont'd)

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

The total amount of top five other receivables based on closing balance of debtors for the period amounted to RMB4,443,181,018.88 in total, accounting for 52.64% of the total closing balance of other receivables. The closing balance of the corresponding bad debt provision amounted to RMB0.00 in total.

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage to total closing balance of other receivables	Closing balance of bad debt provision
Customer I	Open credit	1,277,000,000.00	Within 1 year	15.13%	
Customer II	Open credit	1,047,280,075.00	Within 1 year	12.41%	
Customer III	Open credit	921,800,000.00	Within 1 year	10.92%	
Customer IV	Open credit	709,692,418.87	Within 1 year	8.41%	
Customer V	Open credit	487,408,525.01	Within 1 year	5.77%	
Total		4,443,181,018.88		52.64%	

3. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance Impairment provision	Book value	Book balance	Opening balance Impairment provision	Book value
Investment in subsidiaries	18,571,694,740.81		18,571,694,740.81	18,502,944,740.81		18,502,944,740.81
Investment in associates and joint ventures	320,282,894.09	5,994,545.96	314,288,348.13	329,212,841.48	5,994,545.96	323,218,295.52
Total	18,891,977,634.90	5,994,545.96	18,885,983,088.94	18,832,157,582.29	5,994,545.96	18,826,163,036.33

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

3. Long-term equity investments (Cont'd)

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (Book value)	Additional contribution	Change for the period		Others	Closing balance (book value)	Closing balance of impairment provision
			Withdrawn contribution	Impairment provision			
Chenming Paper Korea Co., Ltd.	6,143,400.00					6,143,400.00	
Chenming GmbH	4,083,235.00					4,083,235.00	
Hailaer Chenming Paper Co., Ltd.	12,000,000.00					12,000,000.00	
Huanggang Chenming Pulp & Paper Co., Ltd.	2,350,000,000.00					2,350,000,000.00	
Huanggang Chenming Arboriculture Development Co., Ltd.	70,000,000.00					70,000,000.00	
Jinan Chenming Investment and Management Co., Ltd.	100,000,000.00					100,000,000.00	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	264,493,210.21					264,493,210.21	
Shandong Grand View Hotel Co., Ltd.	80,500,000.00					80,500,000.00	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,137,500,000.00	68,750,000.00				5,206,250,000.00	
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00					10,000,000.00	
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80					113,616,063.80	
Shouguang Meilun Paper Co., Ltd.	4,449,441,979.31					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 Hongxiang Printing and Packaging Co., Ltd.	3,730,000.00					3,730,000.00	
Shandong Chenming Group Finance Co., Ltd.	4,000,000,000.00					4,000,000,000.00	
Chenming Arboriculture Co., Ltd.	45,000,000.00					45,000,000.00	
Chenming Paper United States Co., Ltd.	6,407,800.00					6,407,800.00	
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	592,500,340.53					592,500,340.53	
Weifang Chendu Equity Investment Partnership (Limited Partnership)	241,387,503.76					241,387,503.76	
Total	18,502,944,740.81	68,750,000.00				18,571,694,740.81	

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

3. 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											
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	36,776,710.91		5,000,000.00	35,769.93						31,812,480.84	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	197,218,318.77			-3,089.85						197,215,228.92	
Chenming (Qingdao) Asset Management Co., Ltd.	6,482,035.69			27,510.92						6,509,546.61	
Xuchang Chenming Paper Co., Ltd.									0.00		5,994,545.96
Subtotal	240,477,065.37		5,000,000.00	60,191.00						235,537,256.37	5,994,545.96
II. Joint ventures											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	7,892,659.42			1,025,474.67			1,100,000.00			7,818,134.09	
Weifang Port Wood Chip Terminal Co., Ltd.	74,848,570.73			-3,915,613.06						70,932,957.67	
Subtotal	82,741,230.15			-2,890,138.39			1,100,000.00			78,751,091.76	
Total	323,218,295.52		5,000,000.00	-2,829,947.39			1,100,000.00			314,288,348.13	5,994,545.96

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

4. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	2,588,800,023.67	2,692,576,337.91	3,140,980,202.71	2,884,740,920.89
Other activities	1,315,784,940.43	1,054,300,999.17	605,682,653.79	496,489,124.84
Total	3,904,584,964.10	3,746,877,337.08	3,746,662,856.50	3,381,230,045.73

Information related to revenue:

Unit: RMB

Category of contract	Machine-made paper	Others	Total
Type of goods	2,588,800,023.67	1,315,784,940.43	3,904,584,964.10
Including:			
Machine-made paper	2,228,816,873.67		2,228,816,873.67
Material sales		1,038,125,689.11	1,038,125,689.11
Leasing		8,728,934.62	8,728,934.62
Others	359,983,150.00	268,930,316.70	628,913,466.70
By geographical area	2,588,800,023.67	1,315,784,940.43	3,904,584,964.10
Including:			
Mainland China	2,588,800,023.67	1,315,784,940.43	3,904,584,964.10
Other countries and regions			
By the timing of delivery	2,588,800,023.67	1,315,784,940.43	3,904,584,964.10
Including:			
Goods (at a point in time)	2,588,800,023.67	1,307,056,005.81	3,895,856,029.48
Services (within a certain period)			
Leasing income		8,728,934.62	8,728,934.62

Information related to the transaction price allocated to the remaining performance obligations:

As at the end of the reporting period, the amount of income corresponding to the agreements that have been entered into but have not yet fulfilled or not fully fulfilled their performance obligations amounted to RMB4,188,916,529.77, which is expected to be recognised in 2023.

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

5. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the cost method	80,000,000.00	270,000,000.00
Income from long-term equity investments accounted for using the equity method	-2,829,947.39	-5,337,689.31
Investment gain on disposal of long-term equity investments	630,212.77	751,679.56
Investment gain on holding other non-current financial assets		2,800,000.00
Investment gain on derecognition of financial assets	-22,621,312.74	-30,954,557.50
Total	55,178,952.64	237,259,432.75

XVIII. Supplementary information

1. Breakdown of extraordinary gains or losses for the current period

Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	9,118,027.05	
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	108,155,697.19	
Profit or loss from debt restructuring	-145,995.36	
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading and financial liabilities held for trading, as well as investment gains from disposal of financial assets held for trading, financial liabilities held for trading and financial assets available for sale	-25,565,577.25	
Reversal of provision for impairment of receivables individually tested for impairment	68,586,443.66	
Gain or loss arising from fair value change of consumable biological assets subsequently measured at fair value	5,749,779.42	
Other gain or loss items within the definition of extraordinary gain or loss	443,855.10	
Less: Effect of income tax	39,664,063.42	
Effect of minority interest (after tax)	2,919,113.00	
Total	123,759,053.39	

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XVIII. Supplementary information (Cont'd)

1. Breakdown of extraordinary gains or losses for the current period (Cont'd)

Other profit or loss items consistent with the definition of extraordinary items:

Applicable Not applicable

The Company does not have other profit or loss items consistent with the definition of extraordinary items.

Explanation on classification of non-recurring profit and loss listed in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss as non-recurring profit and loss

Applicable Not applicable

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	-4.15%	-0.250	-0.250
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	-4.85%	-0.292	-0.292

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. When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on Perpetual Bonds of RMB44,481,369.86 during the reporting period is deducted.

3. Accounting data difference under accounting standard at home and abroad

(1) Differences of net profit and net assets disclosed in financial reports prepared under IAS and Chinese accounting standards

Applicable Not applicable

(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

Applicable Not applicable

The Board of Shandong Chenming Paper Holdings Limited
30 August 2023



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*