

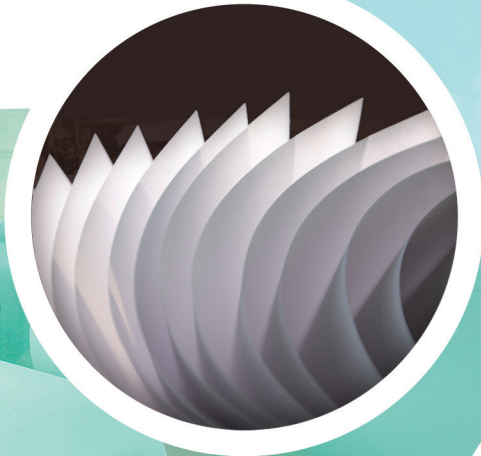


山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

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

Stock Code: 1812



2022 INTERIM REPORT

* For identification purposes only

I Important Notice, Table of Contents and Definitions

The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”) and the directors (the “Directors”), supervisors (the “Supervisors”) and senior management (the “Senior Management”) of the Company hereby warrant the truthfulness, accuracy and completeness of the contents of the 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

Table of Contents

| | | |
|------|---|----|
| I | Important Notice, Table of Contents and Definitions | 1 |
| II | Company Profile and Key Financial Indicators | 5 |
| III | Management Discussion and Analysis | 9 |
| IV | Corporate Governance | 24 |
| V | Environmental and Social Responsibility | 26 |
| VI | Material Matters | 33 |
| VII | Changes in Share Capital and Shareholders | 46 |
| VIII | Preference Shares | 52 |
| IX | Bonds | 53 |
| X | Financial Report | 57 |

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 Leasing | means | Shandong Chenming Financial Leasing Co., Ltd. and its subsidiaries |
| Corporate Bonds | means | 18 Chenming Bond 01 |
| Perpetual Bonds | means | 17 Lu Chenming MTN001 |
| B-to-H Share Conversion | means | Change of listing venue of the domestic listed foreign shares on the Main Board of The Stock Exchange of Hong Kong Limited by way of conversion |
| reporting period | means | the period from 1 January 2022 to 30 June 2022 |
| the beginning of the year or the period | means | 1 January 2022 |
| the end of the interim period or the period | means | 30 June 2022 |

II Company Profile and Key Financial Indicators

I. Company profile

| | | | |
|---|--|------------|------------------|
| Stock abbreviation | 晨鳴紙業 晨鳴B | Stock code | 000488 200488 |
| Stock exchanges on which the shares are listed | Shenzhen Stock Exchange | | |
| Stock abbreviation | Chenming Paper | Stock code | 01812 |
| Stock exchanges on which the shares are listed | The Stock Exchange of Hong Kong Limited | | |
| 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 | chenmmingpaper@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 of the Company changed during the reporting period

Applicable Not applicable

There was no change of the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to the 2021 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 newspapers designated by the Company for information disclosure, designated websites for the publication of the interim report as approved by CSRC and places for inspection of the Company's interim report during the reporting period. Please refer to the 2021 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) | 16,676,428,365.83 | 17,172,816,354.53 | -2.89% |
| Net profit attributable to shareholders of the Company (RMB) | 230,141,463.76 | 2,021,095,417.54 | -88.61% |
| Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB) | 173,407,927.13 | 1,964,718,180.70 | -91.17% |
| Net cash flows from operating activities (RMB) | 998,264,209.45 | 4,747,185,521.94 | -78.97% |
| Basic earnings per share (RMB per share) | 0.064 | 0.604 | -89.40% |
| Diluted earnings per share (RMB per share) | 0.064 | 0.604 | -89.40% |
| Rate of return on weighted average net assets | 1.02% | 8.94% | Decrease by 7.92 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) | 85,186,581,045.24 | 82,841,454,602.24 | 2.83% |
| Net assets attributable to shareholders of the Company (RMB) | 19,220,377,294.74 | 19,089,778,227.64 | 0.68% |

Data description of basic earnings per share, diluted earnings per share, and rate of return on weighted average net assets:

Net profit attributable to shareholders of the Company does not exclude the effect of interest of Perpetual Bonds during the reporting period. When calculating earnings per share and the rate of return on weighted average net assets, the interest on Perpetual Bonds from 1 January 2022 to 30 June 2022 of RMB44,481,369.86 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) | -3,921,463.03 | |
| 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 | 149,264,611.68 | |
| Profit or loss from debt restructuring | -754,806.87 | |
| 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 | -62,122,863.58 | |
| Consumable biological assets subsequently measured at fair value | 3,309,448.09 | |
| Other non-operating income and expenses other than the above items | -3,575,720.23 | |
| Less: Effect of income tax | 24,569,100.79 | |
| Effect of minority interests (after tax) | 896,568.64 | |
| Total | 56,733,536.63 | - |

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 and industry position

The industry in which the Company operates is the paper making and paper product industry. After decades of development, the Company has developed into a large modern conglomerate principally engaged in pulp production and paper making. Its key indicators in respect of economic efficiency have been in a leading position in the industry for more than 20 years in a row. The Company has been on the Fortune 500 China list for 13 consecutive years. Taking “revitalising the Chinese papermaking industry” as its mission, the Company has been adhering to its green development philosophy, committing itself to implementing a pulp and paper integration strategy and promoting the integrated development in the industry chain and the value chain. The Company has established 6 production bases in, among others, Shandong, Guangdong, Hubei, Jiangxi and Jilin with annual pulp and paper production capacity of more than 11 million tonnes. It is the first large-scale integrated pulp and paper company in China that achieves a balance between pulp and paper production.

In the first half of 2022, affected by factors such as the evolution of public health events, the changing international political landscape and high inflation, commodity prices and international logistics prices surged, resulting in a significant increase in operating costs of papermaking companies. In the downstream market, the price transmission mechanism did not work due to weak demand in the domestic market, resulting in lower machine-made paper prices than the corresponding period of the prior year, and limiting the scope for corporate earnings. According to the National Bureau of Statistics of China, the total profit of the paper making and paper product industry from January to June 2022 amounted to RMB25.99 billion, representing a year-on-year decrease of 46.2%. Recently, large pulp companies such as Arauco in Chile had announced their expansion and production plans, which would be expected to mitigate the pressure on pulp supply. In addition, raw material prices would be expected to fall due to the global tightening of monetary policy and declining inflation. At the same time, with the epidemic under better control and the implementation of the policies to stabilise growth in China, domestic demand would improve. It was expected that the papermaking industry would rebound gradually with recovery in profitability for the industry.

Although the complex and changing external environment increased the difficulty factor of corporate development, the Company consolidated its profitability by strengthening its internal management, optimising its cost structure, checking raw material cost hikes and seizing opportunities in overseas markets. During the reporting period, the Company recorded machine-made paper production of 2.58 million tonnes and sales of 2.69 million tonnes, revenue of RMB16,676 million and total profit of RMB275 million.

III Management Discussion and Analysis

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

(II) Products

During the reporting period, the machine-made paper business was the major source of revenue and profit of the Company. There was no significant changes in its principal activities and its operation models such as purchase, production, marketing and R&D. The products of the Company covering more than 200 types in seven series and five major categories are detailed in the following table.

| Category | Major brands and types | Major production companies | Range of application |
|-----------------------|---|--|---|
| Cultural 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 Zhanjiang Chenming Wuhan 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 paper board series | <ol style="list-style-type: none"> White paper board of "LIYA" series, white paper board 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 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 Wuhan Chenming 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 Wuhan Chenming | 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 Wuhan Chenming | 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 2022, the Group's current ratio was 68.50%. The quick ratio was 58.10%. The gearing ratio was 72.89%.

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, borrowings from financial institutions, public issuance of corporate bonds in the capital market, as well as issuance of medium-term notes in the interbank market.

As at 30 June 2022, the total bank borrowings, Corporate Bonds and medium-term notes of the Group were RMB43,193 million, RMB350 million and RMB1,004 million, respectively (as at the end of the prior year: the total bank borrowings, Corporate Bonds and medium-term notes of the Group were RMB41,383 million, RMB1,426 million and RMB1,199 million, respectively). As at 30 June 2022, the Group had monetary funds of RMB14,959 million (as at the end of the prior year: RMB14,120 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 2022, the Group had 11,736 employees. The total staff remuneration for the first half of 2022 amounted to RMB620.3574 million (The Group had 12,296 employees in 2021. The total staff remuneration for 2021 amounted to RMB1,311.7337 million).

There was no major investment project of the Company during the second half of 2022.

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 2022, please refer to X. VII. 65. Details of assets with restricted ownership or right to use in this report.

For details of the contingent event required to be disclosed by the Group as at 30 June 2022, please refer to X. VII. 37 Provisions.

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 by building a supply chain, enhances R&D strength and improves core competitiveness, details of which 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 papermaking industry is a typical capital-intensive and technology-intensive industry that follows the laws of economies of scale. The Company has established large-scale production bases in the major markets in Southern, Central, Northern, and Northeast China, with annual pulp and paper production capacity reaching over 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 supporting railway dedicated lines and docks, and constructed a comprehensive logistics service platform covering unitised transportation, 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 product range in the paper making industry. The product series include cultural paper, white paper board, coated paper, copy paper, household paper, thermal paper, etc., with each major product ranking among the best in terms of market share. The Company is committed to fulfilling market demand and refining its products through technological innovation and process optimisation to continuously enhance the added value of its products, and brand value and 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 six production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places. With all products sold in close proximity, 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 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. Currently, the Company has three production lines with a paper width of more than 11 metres, which ensures production efficiency and product quality.

6. Advantages in research and innovation

The Company attaches great importance to technology research and development and currently has scientific research institutions including the national enterprise technology centre, the post-doctoral working station, the state certified CNAS pulp and paper testing centre. The Company has obtained over 370 national patents, and taken 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. 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, Huanggang Chenming and Wuhan Chenming are high and new technology enterprises.

III Management Discussion and Analysis

III. Analysis of Core Competitiveness (Cont'd)

7. Team management advantages

With a reasonable and balanced professional structure, 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 an internal corporate culture that ties in with the Company's development, summarised management experience with industry characteristics, and formed a team advantage combining management and culture, allowing it to accurately grasp the industry development trend and direction. At the same time, the Company has paid attention to the construction of a talent reserve cultivation mechanism. With advanced business concepts and enormous development space, the Company has attracted an array of high-calibre professionals and improved the level of talent pool, 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, middle water treatment system, middle water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental indicators of the Company rank high in 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 middle water reuse project in the domestic paper industry. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water of 170,000 cubic metres every day. 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 | 16,676,428,365.83 | 17,172,816,354.53 | -2.89% | Mainly due to a year-on-year decrease of the selling prices of machine-made paper during the reporting period. |
| Operating costs | 14,054,949,279.20 | 11,861,060,977.92 | 18.50% | Mainly due to a year-on-year price rise of raw materials such as wood chips, raw coal and chemicals during the reporting period. |
| Selling and distribution expenses | 138,055,763.65 | 147,622,738.74 | -6.48% | |
| General and administrative expenses | 422,766,365.85 | 492,048,555.49 | -14.08% | |
| Finance expenses | 1,021,034,604.66 | 1,318,942,156.16 | -22.59% | Mainly due to a year-on-year decrease of interest expenses during the reporting period. |
| Income tax expenses | 1,378,726.69 | 274,057,779.20 | -99.50% | Mainly due to a year-on-year decrease of total profit of the Company during the reporting period. |
| Investment income | -24,138,176.90 | 98,631,701.79 | -124.47% | Mainly due to a year-on-year decrease in income from long-term equity investments accounted for using the equity method during the reporting period, and the expenses on derecognition of financial assets accounted for under investment income during the current reporting period. |
| Gains on changes in fair value | -58,813,415.49 | -99,119,691.89 | 40.66% | Mainly due to the change of the shares of China Bohai Bank during the reporting period. |
| Net cash flows from operating activities | 998,264,209.45 | 4,747,185,521.94 | -78.97% | Mainly due to a year-on-year price rise of raw materials such as wood chips, raw coal and chemicals, and a significant increase of the cash payment for purchase of goods by the Company. |
| Net cash flows from investing activities | -806,624,723.83 | -905,349,346.97 | 10.90% | |
| Net cash flows from financing activities | -242,119,047.65 | -3,585,858,074.31 | 93.25% | Mainly due to a year-on-year decrease of liabilities falling due for repayment 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 | 16,676,428,365.83 | 100% | 17,172,816,354.53 | 100% | -2.89% |

By industry

| | | | | | |
|--------------------------|-------------------|--------|-------------------|--------|---------|
| Machine-made paper | 14,440,493,130.31 | 86.59% | 14,822,885,135.39 | 86.32% | -2.58% |
| Pulp | 239,810,290.10 | 1.44% | 75,966,302.86 | 0.44% | 215.68% |
| Power and steam | 195,203,273.89 | 1.17% | 133,159,820.59 | 0.78% | 46.59% |
| Construction materials | 128,912,692.24 | 0.77% | 174,782,023.02 | 1.02% | -26.24% |
| Hotel and property rents | 104,267,757.09 | 0.63% | 75,025,417.15 | 0.44% | 38.98% |
| Financial leasing | 84,916,541.08 | 0.51% | 203,237,206.72 | 1.18% | -58.22% |
| Chemicals | 70,973,693.13 | 0.43% | 71,994,410.87 | 0.42% | -1.42% |
| Others | 1,411,850,987.99 | 8.47% | 1,615,766,037.93 | 9.41% | -12.62% |

By product

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

By geographical segment

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

By sales model

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

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 | 14,440,493,130.31 | 12,182,198,556.97 | 15.64% | -2.58% | 22.87% | -17.47% |
| By product | | | | | | |
| White paper board | 5,228,447,295.27 | 4,293,503,654.82 | 17.88% | 3.91% | 55.33% | -27.18% |
| Duplex press paper | 3,784,089,225.00 | 3,376,791,343.94 | 10.76% | 1.47% | 19.86% | -13.70% |
| Coated paper | 2,191,460,241.65 | 1,790,989,074.30 | 18.27% | -8.98% | 17.46% | -18.40% |
| Electrostatic paper | 1,913,990,734.51 | 1,563,151,783.71 | 18.33% | 3.99% | 11.26% | -5.33% |
| By geographical segment | | | | | | |
| Mainland China | 12,792,521,541.65 | 10,838,037,361.34 | 15.28% | -17.01% | 3.81% | -16.99% |
| Other countries and regions | 3,883,906,824.18 | 3,216,911,917.86 | 17.17% | 120.86% | 126.34% | -2.00% |
| By sales model | | | | | | |
| Distribution | 9,791,607,394.33 | 8,302,552,500.27 | 15.21% | -9.08% | 11.99% | -15.95% |
| Direct sales | 6,884,820,971.50 | 5,752,396,778.93 | 16.45% | 7.51% | 29.35% | -14.10% |

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

Revenue from other countries and regions increased by 120.86% as compared to the corresponding period of the prior year mainly due to a significant year-on-year increase of orders as a result of the improvement of the overseas markets during the reporting period.

III Management Discussion and Analysis

V. Analysis of non-principal operations

Applicable Not applicable

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 | | |
| Monetary funds | 14,958,681,361.91 | 17.56% | 14,119,782,939.66 | 17.04% | 0.52% | Mainly due to a year-on-year increase of the Company's existing financing deposits as at the end of the reporting period. |
| Accounts receivable | 3,344,874,025.14 | 3.93% | 2,656,517,150.46 | 3.21% | 0.72% | Mainly due to an increase in accounts receivable from customers as at the end of the reporting period. |
| Accounts receivable financing | 912,727,537.75 | 1.07% | 435,459,341.76 | 0.53% | 0.54% | Mainly due to an increase in the number of bills held as at the end of the reporting period as compared to the beginning of the year. |
| Fixed assets | 34,390,613,468.18 | 40.37% | 35,653,492,676.15 | 43.04% | -2.67% | Mainly due to the equipment relocation of Wuhan Chenming during the reporting period. |
| Construction in progress | 802,407,685.01 | 0.94% | 197,749,526.05 | 0.24% | 0.70% | Mainly due to the equipment relocation of Wuhan Chenming and equipment technological transformation of Meilun during the reporting period. |
| Short-term borrowings | 36,359,663,944.57 | 42.68% | 33,523,025,186.22 | 40.47% | 2.21% | Mainly due to an increase of guaranteed borrowings and credit borrowings as at the end of the reporting period. |
| Bills payable | 4,035,081,278.85 | 4.74% | 3,089,512,327.40 | 3.73% | 1.01% | Mainly due to an increase of payment for goods with bills by the Company during the reporting period. |
| Non-current liabilities due within one year | 4,558,351,674.18 | 5.35% | 6,601,311,227.98 | 7.97% | -2.62% | Mainly due to the repayment of long-term borrowings and bonds payable due within one year by the Company during the reporting period. |
| Long-term payables | 3,383,399,934.07 | 3.97% | 2,358,901,022.99 | 2.85% | 1.12% | Mainly due to a year-on-year increase in finance lease payments as at the end of 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 |
|--|------------------|--|--|---------------------------------------|-----------------------------|----------------------------|---------------|------------------|
| 1. Held-for-trading financial assets (excluding derivative financial assets) | 110,886,182.88 | -59,853,131.31 | -144,651,765.58 | | | | | 51,033,051.57 |
| 2. Other non-current financial assets | 519,927,003.25 | | 57,510,000.00 | | | | | 519,927,003.25 |
| 3. Consumable biological assets measured at fair value | 1,519,305,850.77 | 3,309,448.09 | 27,587,382.40 | | 23,333,133.59 | 45,408,287.98 | | 1,500,540,144.47 |

Whether there 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 | 11,749,299,176.80 | As, among others, deposits for bank acceptance bills and letter of credit, and deposit reserves |
| Accounts receivable financing | 10,925,711.40 | As collateral for letters of guarantee and letters of credit |
| Accounts receivables | 250,000,000.00 | As deposits to obtain loans |
| Fixed assets | 12,634,559,687.51 | As collateral for bank borrowings and long-term payables |
| Intangible assets | 1,184,321,483.40 | As collateral for bank borrowings and long-term payables |
| Investment property | 4,964,639,998.32 | As collateral for bank borrowings |
| Total | 30,793,746,057.43 | |

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 |
|---|---|---------|
| 10,000,000.00 | 882,210,000.00 | -98.87% |

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 Tea Co., Ltd.* (江西晨鳴茶業有限公司) | Tea planting and sales | Newly established | 10,000,000.00 | 100% | Self-owned funds | Subsidiary | Long term | Production and sales of agricultural food | Completed | N/A | -1,468,863.22 | No | Not applicable | Not applicable |

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 | 110,886,182.88 | -59,853,131.31 | -144,651,765.58 | 0.00 | 0.00 | -59,853,131.31 | 51,033,051.57 | Held-for-trading financial assets | Self-owned funds |
| Total | | | 195,684,817.15 | - | 110,886,182.88 | -59,853,131.31 | -144,651,765.58 | 0.00 | 0.00 | -59,853,131.31 | 51,033,051.57 | - | - |
| Disclosure date of announcement in relation to the consideration and approval of securities investments by the Board | | | | | 20 June 2020 | | | | | | | | |
| Disclosure date of announcement in relation to the consideration and approval of securities investments by the shareholders' general meeting (if any) | | | | | Not applicable | | | | | | | | |

(2) Derivatives investments

Applicable Not applicable

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

5. Use of proceeds

Applicable Not applicable

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

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 | 5,765,833,333.00 | 28,464,228,927.79 | 8,685,900,409.62 | 5,841,511,419.81 | 193,779,599.63 | 181,827,121.84 |
| Shouguang Meilun Paper Co., Ltd. | Subsidiary | Production and sale of coated paper, cultural paper, household paper and chemical pulp | 4,801,045,519.00 | 16,433,184,621.65 | 8,422,340,984.80 | 3,956,822,454.56 | 111,605,218.12 | 114,261,960.45 |
| Huanggang Chenming Pulp & Paper Co., Ltd. | Subsidiary | Production and sale of chemical pulp | 2,850,000,000.00 | 7,599,389,040.76 | 3,370,012,386.77 | 1,492,106,761.28 | 90,133,357.64 | 86,400,500.60 |

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

| Name of company | Methods to acquire and dispose of subsidiaries during the reporting period | Effect on overall production and operation and results |
|---|--|--|
| Jiangxi Chenming Tea Co., Ltd. * (江西晨鳴茶業有限公司) | Newly established | Net profit decreased by RMB1.47 million. |
| Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd. | Deregistered | Net profit increased by RMB6,800. |

Particulars of major subsidiaries and investees

- As the subsidiaries of the Company with a higher level of complementary pulp and paper production, Zhanjiang Chenming and Shouguang Meilun enjoyed significant cost advantages due to their pulp and paper integration with higher profitability.
- The profitability of Huanggang Chenming became significant as the pulp price remained relatively high during the reporting period.

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 and policy risk

As a basic raw materials industry, the papermaking industry is supported by national industry policies in many ways. Its prosperity is closely related to national macroeconomic policies. With a view to improving industry structure, enhancing product technology standard, energy saving and emission reduction, and eliminating outdated production capacity relevant departments have issued the Policy on the Development of Papermaking Industry to promote the high-quality development of the papermaking industry. If the support of relevant national industrial policies is weakened in the future or the above-mentioned industrial policies, or economic policies such as fiscal, financial, taxation, and import and export policies are adjusted, the operation and development of the Company will be affected.

The Company pays attention to various policies and regulations of relevant industries in China in a timely manner, and actively adjusts its business development strategy in a timely manner based on the policy orientation. While focusing on the development of its principal activities, i.e. pulp production and paper making, the Company adheres to its innovation-driven strategy and comprehensively optimise its industrial structure and regional layout. thus ensuring that the development of its principal activities is in compliance with the requirements of the policies of the industries, and realising steady growth in its operating results. The Company will also strengthen the financial information system construction, regulate financial management, expand financing channels, lower capital cost and strengthen its aversion capability against macro-economic risk.

2. Environmental protection risk

The paper making industry is a heavily polluting industry listed by the Ministry of Environmental Protection. As China's ecological civilisation construction enters a critical period of focusing on carbon reduction, promoting synergy of pollution reduction and carbon reduction, promoting comprehensive green transformation of economic and social development, and realising the improvement of ecological environment quality from quantitative changes to qualitative changes, relevant departments have successively formulated and issued a series of policies such as Guiding Opinions on Accelerating the Establishment of a Sound Economic System with Green, Low-carbon and Circular Development, the Announcement on Adjusting the Catalogue of Prohibited Products in Processing Trade, the 14th Five-Year Plan for the Implementation of National Clean Production, and the Implementation Plan for Carbon Peaking in the Industrial Sector. Environmental protection requirements are becoming more and more stringent. With the higher national environmental protection standards, the Company further increases its investment in pollution governance, which will increase the Company's operating costs in the short term.

The Company always adheres to the development idea of "placing green development and environmental protection as its priority", widely adopts new technologies for energy saving and emission reduction, fully implements clean production and strives to achieve its waste emission target. In recent years, the Company has invested RMB8,000 million in total, and actively supported the construction of projects such as alkali recycling, middle water treatment, and middle water reuse. Relying on technological innovation, the Company comprehensively carries out environmental protection governance. 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% and the reclaimed water quality meets drinking water standards. 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", further improving its green level.

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

Wood pulp and wood chips are the major raw materials of the industry. If the prices of wood pulp and wood chips fluctuate sharply in the future, they will bring upward pressure on the production costs of enterprises, which will have a certain impact on the normal production and operation of enterprises in the industry.

The Company strives to implement the development strategy of pulp and paper integration. At present, its production capacity of pulp has reached 4.3 million tonnes, and it has cultivated a strong self-sufficiency of wood pulp. At the same time, the Company has established a more comprehensive supply chain management mechanism, and practiced source procurement to reduce procurement costs. The Company continued to improve its production technology, improved the utilisation rate of raw materials, and optimised operational efficiency to reduce the risk of raw material price fluctuations to the Company.

4. Risk of intensifying market competition

As a strategic and fundamental industry closely related to the national economy, the papermaking industry continuously matures along with the steady development of the Chinese economy. Although the papermaking industry has accelerated the elimination of outdated production capacity after several rounds of environmental protection policies and its structure has been optimised, there remains the phenomena of a large number of enterprises, excess and scattered production capacity, a large number of mid- and low-end products, and product homogeneity. In addition, technological upgrade in the papermaking industry is relatively rapid, and related products are replaced quite often, thus causing a fierce market competition.

The Company actively studies the development trend of the industry, correctly grasps the market dynamics in a timely manner, and reduces its production costs and achieves increased production and efficiency by adjusting and optimising technological processes. It adheres to being market-oriented, enhances its R&D and innovation capabilities, produces products that meet market demand, and enriches products types and application fields. It also improves the professional level of its sales staff, expands sales channels, strengthens business cooperation with customers, provides comprehensive customer services, and increases its market share.

5. Risk on financial leasing business

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

Chenming Leasing has comprehensive risk prevention and control measures for the financial leasing business, with strong risk resistance and low risk of default. At present, Chenming Leasing continues to implement the business strategy of continuous reduction which effectively put risk exposures 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 |
|--|-------------------------------|------------------------------|----------------|-----------------|---|
| 2021 annual general meeting | Annual general meeting | 20.22% | 11 May 2022 | 12 May 2022 | http://www.cninfo.com.cn |
| 2022 first extraordinary general meeting | Extraordinary general meeting | 19.81% | 15 June 2022 | 16 June 2022 | http://www.cninfo.com.cn |

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

| Name | Position | Type | Date | Reason |
|--------------|-------------------------------------|----------------------------------|--------------|--|
| Chen Hongguo | Chairman and general manager | Appointed | 15 June 2022 | Appointed as the general manager of the Company at the first meeting of the tenth session of the Board of the Company |
| Li Weixian | Director and deputy general manager | Elected | 15 June 2022 | Election of the new session of the Board of the Company |
| Li Zhihui | Independent Director | Elected | 15 June 2022 | Election of the new session of the Board of the Company |
| Li Feng | Director and deputy general manager | Appointed | 15 June 2022 | Appointed as a deputy general manager of the Company at the first meeting of the tenth session of the Board of the Company |
| Li Mingtang | Deputy general manager | Appointed | 15 June 2022 | Appointed as a deputy general manager of the Company at the first meeting of the tenth session of the Board of the Company |
| Ge Guangming | Deputy general manager | Appointed | 15 June 2022 | Appointed as a deputy general manager of the Company at the first meeting of the tenth session of the Board of the Company |
| Chen Gang | General manager | Resigned upon expiry of the term | 15 June 2022 | Resigned upon expiry of the term |

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 Corporate Governance

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 ninth extraordinary meeting of the ninth session of the Board of the Company considered and approved the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary 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.

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.

On 15 May 2020, the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary and other resolutions were considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company. On 16 May 2020, the Company disclosed the Self-Examination Report for the Trading of Shares of the Company by Insiders and Participants of the 2020 Restricted A Share Incentive Scheme.

On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company, approving the grant of 79,600,000 restricted A shares to 111 participants at the grant price of RMB2.85 per share on 29 May 2020.

On 15 July 2020, the 79,600,000 restricted A shares granted to the participants were listed.

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

| Name of company or subsidiary | Name of major pollutants and specific pollutants | Way of emission | Number of emission outlets | Distribution of emission outlets | Emission concentration | Pollutant emission standards implemented | | Approved total emissions | Excessive emissions |
|--|--|--------------------|----------------------------|----------------------------------|--|---|-------------------------------|--------------------------|---------------------|
| | | | | | | | Total emissions | | |
| Shandong Chenming Paper Holdings Limited | SO ₂ | Organised emission | 2 | Chenming Industrial Park | Power plant no. 1: 9.51mg/m ³ | 35mg/m ³ | Power plant no. 1: 7.89t | 160.32t/year | No |
| | | | | | Power plant no. 2: 8.77mg/m ³ | | Power plant no. 2: 8.01t | | |
| | NO _x | Organised emission | 2 | Chenming Industrial Park | Power plant no. 1: 39.1mg/m ³ | 50mg/m ³ | Power plant no. 1: 33.2t | 233.91t/year | No |
| | | | | | Power plant no. 2: 40.3mg/m ³ | | Power plant no. 2: 37.3t | | |
| | Particulates | Organised emission | 2 | Chenming Industrial Park | Power plant no. 1: 0.344mg/m ³ | 5mg/m ³ | Power plant no. 1: 0.283t | 23.39t/year | No |
| | | | | | Power plant no. 2: 0.707mg/m ³ | | Power plant no. 2: 0.657t | | |
| | COD | Indirect emission | 2 | Chenming Industrial Park | Sewage outlet no. 1: 182mg/L | 300mg/L | Sewage outlet no. 1: 794t | 6,510.74t/year | No |
| | | | | | Sewage outlet no. 2: 164mg/L | | Sewage outlet no. 2: 852t | | |
| | Ammonia nitrogen | Indirect emission | 2 | Chenming Industrial Park | Sewage outlet no. 1: 7.26mg/L | 30mg/L | Sewage outlet no. 1: 31.4t | 650.7t/year | No |
| | | | | | Sewage outlet no. 2: 1.14mg/L | | Sewage outlet no. 2: 5.93t | | |
| Shouguang Meilun Paper Co., Ltd. | SO ₂ | Organised emission | 4 | Chenming Industrial Park | Power plant no. 1: 10.2mg/m ³ | 35mg/m ³ | Power plant no. 1: 13.9t | 342.89t/year | No |
| | | | | | Power plant no. 2: 10.5mg/m ³ | (self-owned power plant), 50mg/m ³ | Power plant no. 2: 10.1t | | |
| | | | | | Alkali recovery: 2.24mg/m ³ | (Chemical pulp mill) | Alkali recovery: 10.6t | | |
| | | | | | Lime kiln: 5.74mg/m ³ | | Lime kiln: 4.35t | | |
| | NO _x | Organised emission | 4 | Chenming Industrial Park | Power plant no. 1: 30.6mg/m ³ | 50mg/m ³ | Power plant no. 1: 40.1t | 1,202.75t/year | No |
| | | | | | Power plant no. 2: 31.8mg/m ³ | (self-owned power plant), 100mg/m ³ | Power plant no. 2: 30.6t | | |
| | | | | | Alkali recovery: 77mg/m ³ | (Chemical pulp mill) | Alkali recovery: 365t | | |
| | | | | | Lime kiln: 32.3mg/m ³ | | Lime kiln: 23.9t | | |
| | Particulates | Organised emission | 4 | Chenming Industrial Park | Power plant no. 1: 0.432mg/m ³ | 5mg/m ³ | Power plant no. 1: 0.595t | 121.979 t/year | No |
| | | | | | Power plant no. 2: 0.989mg/m ³ | (self-owned power plant), 10mg/m ³ | Power plant no. 2: 0.946t | | |
| | | | | | Alkali recovery: 0.655mg/m ³ | (Chemical pulp mill) | Alkali recovery: 3.03t | | |
| | | | | | Lime kiln: 0.413mg/m ³ | | Lime kiln: 0.35t | | |

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

| Name of company or subsidiary | Name of major pollutants and specific pollutants | Way of emission | Number of emission outlets | Distribution of emission outlets | Emission concentration | Pollutant emission standards implemented | Total emissions | Approved total emissions | Excessive emissions |
|---|--|--------------------|----------------------------|---|--|---|-----------------|--------------------------|---------------------|
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd. | SO ₂ | Organised emission | 2 | Within Qianneng Electric Power factory area | 130T/h furnace: 3.25mg/m ³ 75T/h furnace: 7.36mg/m ³ | 50mg/m ³ | 1.44381t | 102.58t/year | No |
| | NO _x | Organised emission | 2 | Within Qianneng Electric Power factory area | 130T/h furnace: 55.13mg/m ³ 75T/h furnace: 46.15mg/m ³ | 100mg/m ³ | 14.8345t | 205.16t/year | No |
| | Particulates | Organised emission | 2 | Within Qianneng Electric Power factory area | 130T/h furnace: 1.57mg/m ³ 75T/h furnace: 5.18mg/m ³ | 20mg/m ³ | 0.89747t | 41.032t/year | No |
| | COD | Direct emission | 1 | Total wastewater discharge | 40.16mg/L | 80mg/L | 28.67t | 184.3t/year | No |
| | Ammonia nitrogen | Direct emission | 1 | Total wastewater discharge | 1.812mg/L | 8mg/L | 0.44t | 17.3t/year | No |
| Jiangxi Chenming Paper Co., Ltd. | SO ₂ | Organised emission | 1 | Thermal power plant | 240T/h furnace: 11.6049mg/m ³ | 200mg/m ³ | 23.7425t | 806t/year | No |
| | NO _x | Organised emission | 1 | Thermal power plant | 240T/h furnace: 57.7725mg/m ³ | 200mg/m ³ | 33.9278t | 806t/year | No |
| | Particulates | Organised emission | 1 | Thermal power plant | 240T/h furnace: 6.3513mg/m ³ | 30mg/m ³ | 11.0874t | 135t/year | No |
| | COD | Direct emission | 1 | Total sewage discharge | 44.75mg/L | 90mg/L | 83.3817t | 1,260t/year | No |
| | Ammonia nitrogen | Direct emission | 1 | Total sewage discharge | 1.74mg/L | 8mg/L | 2.118t | 112t/year | No |
| Jilin Chenming Paper Co., Ltd. | SO ₂ | Organised emission | 3 (2 in use, 1 spare) | Within factory area | 4.38mg/m ³ | 100mg/m ³ | 2.10t | 97t/year | No |
| | NO _x | Organised emission | 3 (2 in use, 1 spare) | Within factory area | 27.92mg/m ³ | 100mg/m ³ | 12.69t | 213t/year | No |
| | Particulates | Organised emission | 3 (2 in use, 1 spare) | Within factory area | 7.28mg/m ³ | 30mg/m ³ | 2.77t | 51.66t/year | No |
| | COD | Indirect emission | 1 | Total sewage discharge | 129.45mg/L | 500mg/L | 279.16t | 6,000t/year | No |
| | Ammonia nitrogen | Indirect emission | 1 | Total sewage discharge | 1.82mg/L | 45mg/L | 3.99t | 500t/year | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | SO ₂ | Organised emission | 5 | Within factory area | Power plant 1#: 5.834mg/m ³ Power plant 2#: 6.338mg/m ³ Power plant 3#: 3.669mg/m ³ Power plant 4#: 8.956mg/m ³ | 1#2#3#4# circulating fluidised bed boilers: 35mg/m ³ | 26.435t | 620t/year | No |

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

| Name of company or subsidiary | Name of major pollutants and specific pollutants | Way of emission | Number of emission outlets | Distribution of emission outlets | Emission concentration | Pollutant emission standards implemented | Total emissions | Approved total emissions | Excessive emissions |
|---|--|--------------------|----------------------------|----------------------------------|--|--|-----------------|--------------------------|---------------------|
| | NO _x | Organised emission | 5 | Within factory area | Alkali recovery: 125.546mg/m ³ Power plant 1#: 10.244mg/m ³ Power plant 2#: 11.74mg/m ³ Power plant 3#: 9.852mg/m ³ Power plant 4#: 4.206mg/m ³ | Alkali recovery: 200mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 50mg/m ³ | 600.254t | 2,169.7t/year | No |
| | Particulates | Organised emission | 5 | Within factory area | Power plant 1#: 1.952mg/m ³ Power plant 2#: 1.461mg/m ³ Power plant 3#: 1.228mg/m ³ Power plant 4#: 1.471mg/m ³ | 1#2#3#4# circulating fluidised bed boilers: 10mg/m ³ | 8.117t | 195.06t/year | No |
| | COD | Direct emission | 1 | Within factory area | 37.83mg/L | 90mg/L | 382.492t | 1,943t/year | No |
| | Ammonia nitrogen | Direct emission | 1 | Within factory area | 1.43mg/L | 8mg/L | 13.575t | 43.9t/year | No |
| | Total nitrogen | Direct emission | 1 | Within factory area | 5.11mg/L | 12mg/L | 51.318t | 320.4t/year | No |
| Huanggang Chenming Pulp & Paper Co., Ltd. | SO ₂ | Organised emission | 1 | Lime kiln chimney | 38.28mg/m ³ | 80mg/m ³ | 9.57t | 142.872t/year | No |
| | SO ₂ | Organised emission | 1 | Alkali furnace chimney | 5.52mg/m ³ | 200mg/m ³ | 6.81t | 328.417t/year | No |
| | NO _x | Organised emission | 1 | Lime kiln chimney | 131.73mg/m ³ | 180mg/m ³ | 55.69t | 181.887t/year | No |
| | NO _x | Organised emission | 1 | Alkali furnace chimney | 176.22mg/m ³ | 200mg/m ³ | 337.42t | 950.829t/year | No |
| | Particulates | Organised emission | 1 | Lime kiln chimney | 37.60mg/m ³ | 200mg/m ³ | 7.49t | 45.311t/year | No |
| | Particulates | Organised emission | 1 | Alkali furnace chimney | 25.09mg/m ³ | 30mg/m ³ | 24.61t | 83.759t/year | No |
| | COD | Indirect emission | 1 | Total wastewater discharge | 15.03mg/L | 150mg/L | 64.83t | 398.911t/year | No |
| | Ammonia nitrogen | Indirect emission | 1 | Total wastewater discharge | 0.09mg/L | 14mg/L | 0.39t | 39.891t/year | No |

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

Construction and operation of facilities for pollution prevention and control

- (1) The Company and its subsidiaries strictly comply with laws, regulations and relevant rules regarding environmental protection of the central and local government. The construction of projects strictly adheres to the “three simultaneities” on environmental protection. In order to ensure pollutants are discharged strictly in accordance with the requirements under laws and regulations and disposed properly, production and operation strictly comply with the national Law on the Prevention and Control of Environmental Pollution, Law on the Prevention and Control of Water Pollution, Law on the Prevention and Control of Air Pollution, Action Plan for Prevention and Control of Water Pollution and Law on the Prevention and Control of Environmental Pollution by Solid Waste and other laws.
- (2) The Company and its subsidiaries are equipped with perfect environmental protection treatment facilities, the main process of sewage treatment is: pre-treatment – anaerobic – aerobic – deep treatment process, which can achieve the standard discharge of sewage; and each subsidiary is equipped with water reuse system, reuse the treated sewage as much as possible to reduce the pollution of emissions. The Company has built nine sewage treatment plants with a daily treatment capacity of 350,000 cubic meters; and every quarter, government departments regularly visit the Company to compare the online monitoring data, and the data comparison is qualified.
- (3) Each subsidiary’s organised emission outlets are equipped with an online monitoring system for real-time monitoring. All subsidiaries have their own power plants. Each self-owned plant has its own environmental protection facilities for dedusting, desulphurisation and denitrification. Denitrification is conducted through SCR or SNCR, while desulphurisation is primarily conducted through gypsum desulphurisation (ammonia desulphurisation is adopted in the self-owned plant of Jiangxi Chenming). Substantially all of the emissions indicators are below the national and local execution standards. Other alkali recovery boilers and lime kilns are also in compliance with the emission standards.

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

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

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

Emergency plan for emergency environmental incidents

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

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

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 penalty for environmental problems during the reporting period

| Name of company or subsidiary | Reasons for penalty | Violations | Penalty results | Impact on the production and operation of the listed company | Corrective measures of the Company |
|----------------------------------|--------------------------------------|---|---|---|---|
| Jiangxi Chenming Paper Co., Ltd. | Excessive emission of polluted water | On 12 September 2021, the Nanchang Municipal Ecological Environment Bureau conducted an on-site inspection of Jiangxi Chenming. After testing, the suspended solids of the wastewater samples collected from the wastewater discharge outlet amounted to 59.33 mg/L, and the chromaticity amounted to 64, which were 0.98 times and 0.28 times higher than the standard, respectively. Therefore, the wastewater discharge exceeded the standard. | On 7 January 2022, the Nanchang Municipal Ecological Environment Bureau issued the Decision on Administrative Penalty and imposed a fine of RMB401,000 on Jiangxi Chenming. | Jiangxi Chenming had completed rectification, and paid the fine on time. There was no significant adverse impact on the listed company. | ① Control at source ensured that the indicators of each section reached the required range through strict control on the operation of the water treatment system. ② Water intake stabilisation avoided the impact of excessive water volume to affect the indicator of suspended solids in the effluent. ③ The monitoring of drainage indicators was strengthened. They were adjusted on time to ensure that the discharge met the standards. |

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.

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

Applicable Not applicable

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 (Cont'd)

- (1) The Group measured the content of carbon elements in a monthly manner, purchased coal with higher calorific value, and increased electricity purchases to reduce coal consumption.
- (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) 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. 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 zero position and the drying efficiency and save electricity consumption.
- (4) 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.
- (5) The Group vigorously developed clean energy and energy recycling projects to reduce carbon emissions. The Shouguang Chenming 33 MW and Zhanjiang Chenming 30 MW photovoltaic power generation projects were being implemented.
- (6) 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.

II. Social responsibility

1. Protecting the rights of shareholders

During the reporting period, the Company strictly followed laws and regulations such as the Company Law, the Securities Law, the Shenzhen Stock Exchange Listing Rules and the relevant provisions of the Articles of Association, operated efficiently in accordance with laws and regulations, and actively safeguarded the rights and interests of shareholders. The Company adopted a combination of on-site and online voting to convene general meetings to ensure the right of shareholders to know, participate and vote on the Company's major issues, especially for the minority shareholders. The Company held the 2021 Annual Performance Briefing to extensively listen to investors' opinions and suggestions, to communicate and answer questions that investors were generally concerned about, so that investors had a more comprehensive and clear understanding of the Company. The Company strictly fulfilled its information disclosure obligations, disclosed information to all investors in a true, accurate, complete, timely and fair manner, and continuously improved the Company's transparency to effectively protect the rights and interests of shareholders.

2. Protecting the Rights of Employees

During the reporting period, the Company stuck to the people-oriented concept, strictly complied with the Labour Law, the Labour Contract Law and other relevant laws and regulations, to fully protect the legitimate rights and interests of its employees. The Company continued to improve its human resources management system. Guided by the employment concept of "eliminating backwardness, rejecting mediocrity, and motivating advancement", the Company optimised its salary system and assessment and incentive mechanism, strengthened personal vocational training, and promoted the improvement of employees' comprehensive ability. At the same time, the Company enriched employees' spare time by carrying out the 2022 staff table tennis exchange competition, staff basketball competition, badminton competition and other activities. It also continued to improve the staff dining environment, distributed birthday cakes and greeting cards and organised activities such as cool summer games to enhance employees' happiness and sense of belonging and safeguard their rights and interests.

V Environmental and Social Responsibility

II. Social responsibility (Cont'd)

3. Protecting the rights of suppliers and customers

The Company always adheres to the core values of “honesty, win-win and sharing”, and pays attention to protecting the legitimate rights and interests of suppliers and customers. During the reporting period, the Company continuously established and improved the supply chain management system, optimised the Subsidiary Regional Procurement Management Measures, selected high-quality suppliers fairly and justly, strengthened source procurement, established long-term cooperative relations, reduced procurement costs, and ensured the quality of raw materials and stable supply. The Company continued to be guided by market demand, strived to improve customer satisfaction, continuously improved the level of scientific and technological research and development, provided customers with the most valuable products and services, and fully respected and protected the legitimate rights and interests of suppliers and customers.

4. Protecting the environment

The Company has always adhered to the concept of “green development, ecological Chenming”, thoroughly implemented the national energy conservation and environmental protection policy, actively implemented the “dual carbon” strategy, and unswervingly followed the road of green, low-carbon and high-quality development. During the reporting period, the Company further intensified its environmental protection work, strengthened publicity and education on energy conservation and environmental protection, and carried out a series of activities such as “Energy Conservation Publicity Week” and Low-Carbon Day to raise the awareness of all employees on energy conservation and environmental protection. The Company continued to improve risk management and control measures and hidden danger management plans to strengthen environmental protection, and conducted daily hidden danger investigation of equipment to ensure the normalisation of “double prevention mechanism”. It continued to integrate environmental protection concepts into products, and strived to provide customers with more green and healthy products, among which the Company developed poplar coated white cardboard, Xingzhilian tissue paper and Xingzhilian toilet paper, which had won the national “Green Design Products” award. The “Technology Development of Super-thick Special Coated Paper for Children’s Album” was a new technology, new achievement and new model promoted and applied by the provincial light industry. In line with China’s goal of resources saving, the Company complied with sustainable development requirements. In 2022, the Company’ products, including double-sided offset printing paper, light paper, and coated paper series, were selected by China Environmental Labelling Products again. The Company had been awarded this honour for 10 consecutive years.

5. Participating in social welfare

The Company always sticks to “Creating high-quality paper products and sincerely repaying the society” as its guiding policy, and pays attention to the creation of social value while pursuing economic benefits. Over the years, the Company has been supporting education and public welfare for the disabled, participating in charitable activities such as “Chaoyang Student Assistance” and “Love for the Disabled”, and helping poor students through the Love Education Foundation. During the reporting period, the Company actively participated in the 32nd “National Day for Helping the Disabled” charitable donations. In addition, under frequent outbreaks of the COVID-19 epidemic in China, the Company actively implemented epidemic prevention measures, improved the internal epidemic prevention system, and built a solid foundation for protecting its own safety. At the same time, the Company donated anti-epidemic materials and daily necessities to areas that were affected by the epidemic, such as Mazhang District of Zhanjiang City and Longtan District of Jilin City, to support the local fight against COVID-19.

The Company stays true to itself and shoulders its missions. In the first half of 2022, the Company actively assumed the responsibility of protecting the rights and interests of stakeholders such as shareholders, customers and suppliers, practiced the “dual carbon” strategy, supported the fight against the epidemic, alleviated the poor and helped the disabled, and effectively fulfilled its social responsibilities. In the future, the Company will continue to follow the guidance of “Creating high-quality paper products and sincerely repaying the society”, focusing on the principal business of pulp production and paper making, to create social value and achieve organic integration of economic, social and ecological benefits.

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

During the reporting period, there was no undertaking 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.

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

| General information on the litigation (arbitration) | Amount involved | Whether provisions are made | Progress | Trial results and impact | Enforcement of judgment | Date of disclosure | Disclosure index |
|---|--------------------|-----------------------------|--|---|-------------------------|--------------------|---|
| Statutory demand and winding-up petition | HK\$389,112,432.44 | Yes | On 16 February 2022, the Company appealed the judgment of the Court of Appeal of the High Court of Hong Kong dated 5 August 2020. On 17 May 2022, the hearing of the appeal took place in the Hong Kong Court of Final Appeal. On 14 June 2022, the Hong Kong Court of Final Appeal made a judgment. | On 14 June 2022, the Hong Kong Court of Final Appeal made a judgment, dismissing the Company's appeal request, and instructed the Company to pay a total of HK\$389,112,432.44 to the court previously ordered by the Court of First Instance Judge Harris as a condition of adjournment of the winding-up petition submitted by HKK2 against the Company, together with the accrued interest therein. The payment shall be paid to Arjowiggins HKK2 Limited. | Being executed | 21 June 2022 | http://www.cninfo.com.cn |

Other litigations

Applicable Not applicable

IX. Punishment and rectification

Applicable Not applicable

| Name | Type | Reason | Type of investigation punishment | Conclusion (if any) | Disclosure date | Disclosure index |
|----------------------------------|------------|--------------------------------------|----------------------------------|---|-----------------|------------------|
| Jiangxi Chenming Paper Co., Ltd. | Subsidiary | Excessive emission of polluted water | General administrative penalties | On 12 September 2021, the Nanchang Municipal Ecological Environment Bureau conducted an on-site inspection of Jiangxi Chenming. After testing, the suspended solids of the wastewater samples collected from the wastewater discharge outlet amounted to 59.33 mg/L, and the chromaticity amounted to 64, which were 0.98 times and 0.28 times higher than the standard, respectively. Therefore, the wastewater discharge exceeded the standard. On 7 January 2022, the Nanchang Municipal Ecological Environment Bureau issued the Decision on Administrative Penalty and imposed a fine of RMB401,000 on Jiangxi Chenming. As at the disclosure date of the Report, Jiangxi Chenming had completed rectification, and paid the fine on time. | Not applicable | Not applicable |

VI Material Matters

IX. Punishment and rectification (Cont'd)

Rectification

Applicable Not applicable

Rectification measures of Jiangxi Chenming

(1) Control at source ensured that the indicators of each section reached the required range through strict control on the operation of the water treatment system. (2) Water intake stabilisation avoided the impact of excessive water volume to affect the indicator of suspended solids in the effluent. (3) The monitoring of drainage indicators was strengthened. They were adjusted on time to ensure that the discharge met the standards.

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

| 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 Sime Darby West Port Co., Ltd. | Joint venture | Labour service | Port miscellaneous fees | Market price | Market price | 3,235.51 | 7.47% | 10,000.00 | No | Bank acceptance and telegraphic transfer | Not applicable | 31 March 2022 | http://www.cninfo.com.cn |
| Total | | | | - | - | 3,235.51 | - | 10,000.00 | - | - | - | - | - |
| Particulars on refund of bulk sale | | | | | | | | Nil | | | | | |
| Estimated total amount for day-to-day related party transactions to be conducted during the period (by types of transactions) and their actual implementing during the reporting period (if any) | | | | | | | | Nil | | | | | |
| Reasons for large differences between transaction price and market reference price (if applicable) | | | | | | | | Not applicable | | | | | |

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

Applicable Not applicable

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

3. Related party transaction connected to joint external investment

Applicable Not applicable

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

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 | 1,729.92 | 0.00 | 0.00 | 6.00% | 49.19 | 1,779.11 |
| Weifang Sime Darby West Port Co., Ltd. | A joint venture | Financial support | No | 8,066.80 | 0.00 | 1,296.62 | 6.00% | 204.55 | 6,974.73 |
| Effect of related creditors' rights on the operating results and financial position of the Company | | | The above creditors' rights did not affect the ordinary operation of the Company. Moreover, they catered to the needs for development of existing businesses of Shouguang Meite Environmental and Weifang Sime Darby West Port and lowered the financing costs. | | | | | | |

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 | 15,500.00 | 15,500.00 | Market interest rate | 33.21 | 0.00 | |
| Guangdong Nanyue Bank Co., Ltd. | An associate | Borrowing | 220,100.00 | 42,500.00 | 70,000.00 | Market interest rate | 6,466.85 | 192,600.00 | |
| 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

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

2. Significant guarantees

Applicable Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB7,289.9312 million. The subsidiaries provided guarantee to their subsidiaries and the guarantee amount incurred was RMB93.4898 million.

As at 30 June 2022, 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 RMB11,805.5395 million, representing 61.42% of the equity attributable to shareholders of the Company as at the end of June 2022.

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 (if any) | Counter-guarantee (if any) | Term | | Fulfilled or not |
| Weifang Sime Darby West Port Co., Ltd | 24 July 2017 | 11,740.00 | 20 December 2017 | 11,740.00 | General guarantee | Credit guarantee | Shareholders' pro rata guarantee | 10 years | No | Yes |
| Zhanjiang Runbao Trading Co., Ltd. | 30 March 2022 | 16,000.00 | 25 April 2022 | 16,000.00 | Pledge | 34.64% equity interest in Wuhan Chenming | Equity transfer payment of RMB160 million | 2 years | No | No |
| Zhanjiang Dingjin Trading Co., Ltd. | 4 December 2020 | 13,558.19 | 4 December 2020 | 13,558.19 | Pledge | Properties | Equity transfer payment of RMB136 million | 2 years | No | No |
| Total external guarantees approved during the reporting period (A1) | | | | 16,000.00 | Total actual external guarantees during the reporting period (A2) | | | | 16,000.00 | |
| Total external guarantees approved at the end of the reporting period (A3) | | | | 41,298.19 | Balance of total actual guarantees at the end of the reporting period (A4) | | | | 41,298.19 | |

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 | Amount of guarantee | Guarantees between the Company and its subsidiaries | | | | Counter-guarantee (if any) | Term | Fulfilled or not | Guarantee to related parties or not |
|--|--|---------------------|---|--------------------|-------------------|---------------------|----------------------------|------|------------------|-------------------------------------|
| | | | Guarantee date | Guarantee provided | Type of guarantee | Collateral (if any) | | | | |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 30 March 2019 | 176,778.70 | 27 December 2019 | 176,778.70 | General guarantee | Credit guarantee | 5 years | No | No | |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 27 March 2020 | 150,000.00 | 16 October 2020 | 150,000.00 | General guarantee | Credit guarantee | 5 years | No | No | |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 30 March 2022 | 1,050,000.00 | 8 April 2022 | 142,226.44 | General guarantee | Credit guarantee | 1 year | No | No | |
| Shandong Chenming Group Finance Co., Ltd. | 30 March 2022 | 30,000.00 | | | General guarantee | | 1 year | No | No | |
| Shandong Chenming Paper Sales Co., Ltd. | 30 March 2019 | 25,434.99 | 15 February 2022 | 25,434.99 | General guarantee | Credit guarantee | 5 years | No | No | |
| Shandong Chenming Paper Sales Co., Ltd. | 30 March 2022 | 350,000.00 | 7 April 2022 | 100,562.48 | General guarantee | Credit guarantee | 1 year | No | No | |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 30 March 2016 | 60,500.00 | 19 July 2021 | 60,500.00 | General guarantee | Credit guarantee | 7 years | No | No | |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 30 March 2022 | 350,000.00 | 22 April 2022 | 11,000.00 | General guarantee | Credit guarantee | 1 year | No | No | |
| Jiangxi Chenming Paper Co., Ltd. | 30 March 2019 | 62,308.42 | 31 August 2021 | 62,308.42 | General guarantee | Credit guarantee | 5 years | No | No | |
| Jiangxi Chenming Paper Co., Ltd. | 30 March 2022 | 400,000.00 | 31 March 2022 | 98,684.99 | General guarantee | Credit guarantee | 1 year | No | No | |
| Shouguang Meilun Paper Co., Ltd. | 27 March 2020 | 93,138.11 | 7 July 2021 | 93,138.11 | General guarantee | Credit guarantee | 5 years | No | No | |
| Shouguang Meilun Paper Co., Ltd. | 30 March 2022 | 500,000.00 | 30 April 2022 | 34,259.14 | General guarantee | Credit guarantee | 1 year | No | No | |
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd. | 18 October 2019 | 3,000.00 | 17 December 2021 | 3,000.00 | General guarantee | Credit guarantee | 3 years | No | No | |
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd. | 30 March 2022 | 50,000.00 | | | General guarantee | | 1 year | No | No | |
| Chenming (HK) Limited | 25 March 2021 | 10,533.09 | 28 March 2022 | 10,533.09 | General guarantee | Credit guarantee | 3 years | No | No | |
| Chenming (HK) Limited | 30 March 2022 | 200,000.00 | 1 April 2022 | 26,338.49 | General guarantee | Credit guarantee | 1 year | No | No | |
| Shouguang Chenming Import and Export Trade Co., Ltd. | 30 March 2019 | 10,000.00 | 14 January 2022 | 10,000.00 | General guarantee | Credit guarantee | 5 years | No | No | |
| Shouguang Chenming Import and Export Trade Co., Ltd. | 30 March 2022 | 50,000.00 | | | General guarantee | | 1 year | No | No | |
| Jilin Chenming Paper Co., Ltd. | 30 March 2019 | 9,858.00 | 13 January 2022 | 9,858.00 | General guarantee | Credit guarantee | 5 years | No | No | |
| Jilin Chenming Paper Co., Ltd. | 30 March 2022 | 30,000.00 | 23 May 2022 | 1,800.00 | General guarantee | Credit guarantee | 1 year | No | No | |
| Zhanjiang Chenming Arboriculture Development Co., Ltd. | 30 March 2022 | 30,000.00 | | | General guarantee | | 1 year | No | No | |
| Nanchang Chenming Arboriculture Development Co., Ltd. | 30 March 2022 | 10,000.00 | | | General guarantee | | 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 | Amount of guarantee | Guarantees between the Company and its subsidiaries | | | | | Counter-guarantee (if any) | Term | Fulfilled or not | Guarantee to related parties or not |
|---|--|---------------------|---|--------------------|---|---------------------|--|----------------------------|--------------|------------------|-------------------------------------|
| | | | Guarantee date | Guarantee provided | Type of guarantee | Collateral (if any) | | | | | |
| Shanghai Chenming Pulp & Paper Sales Co., Ltd. | 30 March 2019 | 3,000.00 | 26 January 2022 | 3,000.00 | General guarantee | Credit guarantee | | 5 years | No | No | |
| Shanghai Chenming Pulp & Paper Sales Co., Ltd. | 30 March 2022 | 150,000.00 | 31 May 2022 | 12,000.00 | General guarantee | Credit guarantee | | 1 year | No | No | |
| Shanghai Hongtai Property Management Co., Ltd. | 30 March 2022 | 10,000.00 | | | General guarantee | | | 1 year | No | No | |
| Chenming (Overseas) Co., Ltd. | 30 March 2022 | 40,000.00 | | | General guarantee | | | 1 year | No | No | |
| Chenming (Singapore) Co., Ltd. | 30 March 2022 | 40,000.00 | 14 June 2022 | 11,061.13 | General guarantee | Credit guarantee | | 1 year | No | No | |
| Hainan Chenming Technology Co., Ltd. | 30 March 2022 | 100,000.00 | 13 May 2022 | 5,000.00 | General guarantee | Credit guarantee | | 1 year | No | No | |
| Huanggang Chenming Paper Technology Co., Ltd. | 30 March 2022 | 500,000.00 | | | General guarantee | | | 1 year | No | No | |
| Huanggang Chenming Pulp & Fiber Trading Co., Ltd. | 30 March 2022 | 30,000.00 | | | General guarantee | | | 1 year | No | No | |
| Kunshan Tuocan Plastic Products Co., Ltd. | 30 March 2022 | 10,000.00 | | | General guarantee | | | 1 year | No | No | |
| Shouguang Chenming Art Paper Co., Ltd. | 30 March 2022 | 20,000.00 | | | General guarantee | | | 1 year | No | No | |
| Jiangxi Chenming Tea Co., Ltd. | 30 March 2022 | 10,000.00 | | | General guarantee | | | 1 year | No | No | |
| Shouguang Hongyi Decorative Packaging Co., Ltd. | 30 March 2022 | 5,000.00 | | | General guarantee | | | 1 year | No | No | |
| Shouguang Hongxiang Printing and Packaging Co., Ltd. | 30 March 2022 | 5,000.00 | | | General guarantee | | | 1 year | No | No | |
| Shouguang Chenming Modern Logistic Co., Ltd. | 30 March 2022 | 5,000.00 | | | General guarantee | | | 1 year | No | No | |
| Shandong Grand View Hotel Co., Ltd. | 30 March 2022 | 5,000.00 | | | General guarantee | | | 1 year | No | No | |
| Shouguang Chenming Papermaking Machine Co., Ltd. | 30 March 2022 | 5,000.00 | | | General guarantee | | | 1 year | No | No | |
| Total amount of guarantee provided for subsidiaries approved during the reporting period (B1) | | | | 3,985,000.00 | Total amount of guarantee provided for subsidiaries during the reporting period (B2) | | | | 728,993.12 | | |
| Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3) | | | | 4,589,551.31 | Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4) | | | | 1,047,483.98 | | |

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 | Amount of guarantee | Guarantee date | Guarantees between subsidiaries | | | | Counter-guarantee (if any) | Term | Fulfilled or not | Guarantee to related parties or not |
|---|--|---------------------|------------------|---------------------------------|---|---------------------|--|----------------------------|------|------------------|-------------------------------------|
| | | | | Guarantee provided | Type of guarantee | Collateral (if any) | | | | | |
| Chenming (HK) Limited | 30 March 2019 | 13,422.80 | 19 November 2021 | 13,422.80 | General guarantee | Credit guarantee | | 5 years | No | No | |
| Chenming (HK) Limited | 30 March 2019 | 9,348.98 | 17 March 2022 | 9,348.98 | General guarantee | Credit guarantee | | 5 years | No | No | |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 27 March 2020 | 12,000.00 | 16 August 2021 | 12,000.00 | General guarantee | Credit guarantee | | 1 year | No | No | |
| Shouguang Meilun Paper Co., Ltd. | 4 December 2020 | 36,400.00 | 4 December 2020 | 36,400.00 | Pledge | Properties | | 3 years | No | No | |
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd | 4 December 2020 | 600.00 | 4 December 2020 | 600.00 | Pledge | Properties | | 3 years | No | No | |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 4 December 2020 | 20,000.00 | 4 December 2020 | 20,000.00 | Pledge | Properties | | 3 years | No | No | |
| 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) | | | | | | 9,348.98 |
| Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3) | | | | 91,771.78 | Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4) | | | | | | 91,771.78 |

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) | 4,001,000.00 | Total amount of guarantee during the reporting period (A2+B2+C2) | 754,342.10 |
| Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3) | 4,722,621.28 | Total balance of guarantee as at the end of the reporting period (A4+B4+C4) | 1,180,553.95 |
| The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company | | | 61.42% |
| 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) | | | 152,737.47 |
| Total amount of guarantee provided in excess of 50% of net assets (F) | | | 219,535.09 |
| Sum of the above three amount of guarantee (D+E+F) | | | 372,272.56 |
| 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 |

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.

VI Material Matters

XIII. Other matters of significance

Applicable Not applicable

1. Recognition of the Company and its subsidiaries as high and new technology enterprises

The Company and its subsidiaries Shouguang Meilun and Zhanjiang Chenming have been recognised again as high and new technology enterprises upon expiry of their original high and new technology enterprise certificates. The certificate numbers are GR202137005666, GR202137005468 and GR202144001212, respectively, each with a valid term of three years. According to the Law of the People's Republic of China on Enterprise Income Tax and the relevant tax policies of the PRC for high and new technology enterprises, the Company, Shouguang Meilun and Zhanjiang Chenming are subject to an enterprise income tax rate of 15% under the preferential income tax policy for high and new technology enterprises for three years (i.e. 2021 to 2023) from the year in which they are recognised as high and new technology enterprises.

For details, please refer to the relevant announcement (announcement no.: 2022-002) of the Company published on CNINFO on 11 February 2022.

2. Election of new session of the Board and the Supervisory Committee

At the 2022 first extraordinary general meeting of the Company held on 15 June 2022, the Resolution in Relation to the Election of Candidates for Non-independent Directors of the Tenth Session of the Board, the Resolution in Relation to the Election of Candidates for Independent Non-executive Directors of the Tenth session of the Board and the Resolution in Relation to the Election of Candidates for Shareholder Representative Supervisors of the Tenth Session of the Supervisory Committee were considered and approved. Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun, Mr. Li Feng and Mr. Li Weixian were elected as the executive Directors of the tenth session of the Board of the Company; Mr. Han Tingde and Mr. Li Chuanxuan were elected as the non-executive Directors of the tenth session of the Board of the Company; Mr. Li Zhihui, Mr. Sun Jianfei, Mr. Yang Biao and Ms. Yin Meiqun were elected as the independent non-executive Directors of the tenth session of the Board of the Company; and Ms. Li Kang, Ms. Pan Ailing and Ms. Zhang Hong were elected as the shareholder representative Supervisors of the tenth session of the Supervisory Committee of the Company. On the same date, the Company held the fourth meeting of the tenth session of the staff representative meeting, at which Ms. Qiu Lanju and Ms. Sang Ailing were elected as the staff representative Supervisors of the tenth session of the Supervisory Committee of the Company; the Company held the first meeting of the tenth session of the Board and the first meeting of the tenth session of the Supervisory Committee, at which Mr. Chen Hongguo was elected as chairman of the Board, Mr. Hu Changqing and Mr. Li Xingchun were elected as vice chairmen of the Board, and Ms. Li Kang was elected as chairman of the Supervisory Committee. The election of the new session of the Board and the Supervisory Committee of the Company was completed.

For details, please refer to the relevant announcements (announcement no.: 2022-049, 2022-050, 2022-051 and 2022-052) of the Company published on CNINFO on 16 June 2022.

VI Material Matters

XIII. Other matters of significance (Cont'd)

3. Disclosure index for 2022 interim report

| Announcement No. | Subject matter | Date of publication | Publication website and index |
|------------------|--|---------------------|---|
| 2022-001 | Announcement on the Continued Pledge of Shares held by Shareholders | 15 January 2022 | http://www.cninfo.com.cn |
| 2022-002 | Announcement on the Recognition of the Company and its Subsidiaries as High and New Technology Enterprises | 11 February 2022 | http://www.cninfo.com.cn |
| 2022-003 | Announcement on the Development of Equipment Financing Business by a Subsidiary | 24 February 2022 | http://www.cninfo.com.cn |
| 2022-004 | The First Indicative Announcement on Adjustment of Coupon Rate of "18 Chenming Bond 01" and Implementation Measures for Resale by Investors | 25 February 2022 | http://www.cninfo.com.cn |
| 2022-005 | The Second Indicative Announcement on Adjustment of Coupon Rate of "18 Chenming Bond 01" and Implementation Measures for Resale by Investors | 1 March 2022 | http://www.cninfo.com.cn |
| 2022-006 | The Third Indicative Announcement on Adjustment of Coupon Rate of "18 Chenming Bond 01" and Implementation Measures for Resale by Investors | 3 March 2022 | http://www.cninfo.com.cn |
| 2022-007 | Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders | 12 March 2022 | http://www.cninfo.com.cn |
| 2022-008 | Announcement on the Development of Equipment Financing Business by a Subsidiary | 14 March 2022 | http://www.cninfo.com.cn |
| 2022-009 | Announcement on the 2021 Annual Online Performance Briefing | 28 March 2022 | http://www.cninfo.com.cn |
| 2022-010 | Announcement on the Development of Equipment Financing Business by a Subsidiary | 29 March 2022 | http://www.cninfo.com.cn |
| 2022-011 | Announcement on Resolutions of the Twelfth Meeting of the Ninth Session of the Board of Directors | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-012 | Announcement on Resolutions of the Twelfth Meeting of the Ninth Session of the Supervisory Committee | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-013 | Notice of 2021 Annual General Meeting | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-014 | 2021 Annual Report Summary | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-015 | Special Statement on Securities Investment in 2021 | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-016 | Announcement on Appointment of Auditor for 2022 | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-017 | Announcement on the Expected Continuing Related Party Transaction in 2022 | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-018 | Announcement on the Development of Equipment Financing Business | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-019 | Announcement on Carrying out Factoring Business of Accounts Receivable | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-020 | Announcement on Expected Provision of Guarantees to Subsidiaries for 2022 | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-021 | Special Statement on the Proposed Non-Distribution of Profit for 2021 | 31 March 2022 | http://www.cninfo.com.cn |

VI Material Matters

XIII. Other matters of significance (Cont'd)

3. Disclosure index for 2022 interim report (Cont'd)

| Announcement No. | Subject matter | Date of publication | Publication website and index |
|------------------|---|---------------------|---|
| 2022-022 | Announcement on the Amendments to the Company's Relevant Systems | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-023 | Announcement on the Provision of External Guarantees | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-024 | Announcement on Loan Transfer and Related Party Transaction | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-025 | Announcement on Results of Resale by Bondholders of "18 Chenming Bond 01" | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-026 | Shandong Chenming Paper Holdings Limited Announcement on Payment of 2022 Interest with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018 | 31 March 2022 | http://www.cninfo.com.cn |
| 2022-027 | Announcement on Receipt of Government Subsidies by Subsidiaries | 1 April 2022 | http://www.cninfo.com.cn |
| 2022-028 | Announcement on the Proposed Resale of "18 Chenming Bond 01" Sale-back Bonds | 7 April 2022 | http://www.cninfo.com.cn |
| 2022-029 | Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders | 21 April 2022 | http://www.cninfo.com.cn |
| 2022-030 | 2022 First Quarterly Report | 30 April 2022 | http://www.cninfo.com.cn |
| 2022-031 | Announcement on the Results of Resale of "18 Chenming Bond 01" Bonds | 10 May 2022 | http://www.cninfo.com.cn |
| 2022-032 | Announcement on Resolutions of 2021 Annual General Meeting | 12 May 2022 | http://www.cninfo.com.cn |
| 2022-033 | Announcement on Resolutions of the Twenty-fourth Extraordinary Meeting of the Ninth Session of the Board of Directors | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-034 | Announcement on Resolutions of the Seventh Extraordinary Meeting of the Ninth Session of the Supervisory Committee | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-035 | Declaration by Nominator of Independent Director (Li Zihui) | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-036 | Declaration by Nominator of Independent Director (Sun Jianfei) | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-037 | Declaration by Nominator of Independent Director (Yang Biao) | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-038 | Declaration by Nominator of Independent Director (Yin Meiqun) | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-039 | Declaration by Candidate for Independent Director (Li Zihui) | 24 May 2022 | http://www.cninfo.com.cn |

VI Material Matters

XIII. Other matters of significance (Cont'd)

3. Disclosure index for 2022 interim report (Cont'd)

| Announcement No. | Subject matter | Date of publication | Publication website and index |
|------------------|---|---------------------|---|
| 2022-040 | Declaration by Candidate for Independent Director (Sun Jianfei) | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-041 | Declaration by Candidate for Independent Director (Yang Biao) | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-042 | Declaration by Candidate for Independent Director (Yin Meiqun) | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-043 | Announcement on the Purchase of Liability Insurance for Directors, Supervisors and Senior Management | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-044 | Notice of the First Extraordinary General Meeting of 2022 | 24 May 2022 | http://www.cninfo.com.cn |
| 2022-045 | Announcement on Credit Rating Adjustment | 30 May 2022 | http://www.cninfo.com.cn |
| 2022-046 | Announcement on Resolutions of the Twenty-fifth Extraordinary Meeting of the Ninth Session of the Board of Directors | 31 May 2022 | http://www.cninfo.com.cn |
| 2022-047 | Notice on Cancellation of Certain Resolutions of 2022 First Extraordinary General Meeting and Supplementary Notice of the General Meeting | 31 May 2022 | http://www.cninfo.com.cn |
| 2022-048 | Announcement on Receipt of Government Subsidies by Subsidiaries | 1 June 2022 | http://www.cninfo.com.cn |
| 2022-049 | Announcement on Resolutions of the First Extraordinary General Meeting of 2022 | 16 June 2022 | http://www.cninfo.com.cn |
| 2022-050 | Announcement on the Election of Employee Representative Supervisors | 16 June 2022 | http://www.cninfo.com.cn |
| 2022-051 | Announcement on Resolutions of the First Meeting of the Tenth Session of the Board of Directors | 16 June 2022 | http://www.cninfo.com.cn |
| 2022-052 | Announcement on Resolutions of the First Meeting of the Tenth Session of the Supervisory Committee | 16 June 2022 | http://www.cninfo.com.cn |
| 2022-053 | Announcement on the Progress of Litigation | 21 June 2022 | http://www.cninfo.com.cn |
| 2022-054 | Announcement on the Continued Pledge of Shares held by Shareholders | 28 June 2022 | http://www.cninfo.com.cn |
| 2022-055 | Announcement on Resolutions of the First Extraordinary Meeting of the Tenth Session of the Board | 28 June 2022 | http://www.cninfo.com.cn |
| 2022-056 | Announcement on Capital Increase and Introduction of Strategic Investors of a Majority-owned Subsidiary | 28 June 2022 | http://www.cninfo.com.cn |

VI Material Matters

XIV. Matters of significant of subsidiaries of the Company

Applicable Not applicable

1. Introduction of strategic investors by Zhanjiang Chenming

On 27 June 2022, the first extraordinary meeting of the tenth session of the Board of the Company considered and approved the Proposal on Capital Contribution and Introduction of Strategic Investors of a Majority-owned Subsidiary. Given the recognition of Zhanjiang Chenming for its bright development prospect, Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) made capital contribution to Zhanjiang Chenming in the amount of RMB400 million, of which RMB266,351,374 was included in the registered capital and the remaining RMB133,648,626 was included in the capital reserve.

For details, please refer to the relevant announcements (announcement no.: 2022-055 and 2022-056) of the Company published on CNINFO on 28 June 2022.

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 | 84,733,521 | 2.84% | | | | -144,313 | -144,313 | 84,589,208 | 2.83% |
| 1. Shares held by other domestic investors | 84,733,521 | 2.84% | | | | -144,313 | -144,313 | 84,589,208 | 2.83% |
| Including: Shares held by domestic natural persons | 84,733,521 | 2.84% | | | | -144,313 | -144,313 | 84,589,208 | 2.83% |
| II. Non-restricted shares | 2,899,474,679 | 97.16% | | | | 144,313 | 144,313 | 2,899,618,992 | 97.17% |
| 1. RMB ordinary shares | 1,664,784,163 | 55.79% | | | | 144,313 | 144,313 | 1,664,928,476 | 55.79% |
| 2. Domestic listed foreign shares | 706,385,266 | 23.67% | | | | | | 706,385,266 | 23.67% |
| 3. Overseas listed foreign shares | 528,305,250 | 17.70% | | | | | | 528,305,250 | 17.70% |
| III. Total number of shares | 2,984,208,200 | 100.00% | | | | | | 2,984,208,200 | 100.00% |

The reasons for such changes

Applicable Not applicable

During the reporting period, some of the restricted RMB ordinary shares (A shares) held by Mr. Geng Guanglin, a member of the Senior Management of the ninth session of the Board of the Company, became non-restricted shares amounting to 179,238 shares due to his resignation for six months. Some of the non-restricted RMB ordinary shares (A shares) held by Mr. Chen Gang became restricted shares amounting to 34,925 shares due to the expiration of his term of office.

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 period | Restricted shares released during the period | Restricted shares increased during the period | Restricted shares at the end of period | Reason for restriction | Date of release from restriction |
|----------------------|--|--|---|--|--|--|
| Geng Guanglin | 2,716,950 | 179,238 | 0 | 2,537,712 | Restricted shares of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management | In accordance with the equity incentive plan (draft) and relevant requirements for shares held by Directors, Supervisors and Senior Management |
| Chen Gang | 1,104,775 | 0 | 34,925 | 1,139,700 | Restricted share of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management | In accordance with the equity incentive plan (draft) and relevant requirements for shares held by Directors, Supervisors and Senior Management |
| Total | 3,821,725 | 179,238 | 34,925 | 3,677,412 | - | - |

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 | 170,976, of which 148,205 were holders of A shares, 22,437 were holders of B shares and 334 were holders of H shares | Total number of holders of preference shares with restored voting right as at the end of the reporting period (if any) | 0 |
|---|--|--|---|

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 shareholder | 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 | 15.32% | 457,322,919 | 0 | 0 | 457,322,919 | Pledged | | 274,220,000 |
| HKSCC NOMINEES LIMITED | Overseas legal person | 12.51% | 373,381,375 | -125,000 | 0 | 373,381,375 | | | |
| CHENMING HOLDINGS (HONG KONG) LIMITED | Overseas legal person | 12.20% | 364,131,563 | 0 | 0 | 364,131,563 | | | |
| NINGBO ASIA PAPER TUBE & CARTON CO., LTD. | Domestic non-state-owned legal person | 1.08% | 32,120,000 | 32,120,000 | 0 | 32,120,000 | | | |
| Chen Hongguo | Domestic natural person | 1.04% | 31,080,044 | 0 | 23,310,033 | 7,770,011 | | | |
| SHANDONG SUN HOLDINGS GROUP CO., LTD. | Domestic non-state-owned legal person | 0.82% | 24,507,117 | 8,119,300 | 0 | 24,507,117 | | | |
| HONG KONG SECURITIES CLEARING COMPANY LIMITED | Overseas legal person | 0.54% | 16,218,780 | 2,157,809 | 0 | 16,218,780 | | | |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND | Overseas legal person | 0.50% | 14,819,546 | 805,900 | 0 | 14,819,546 | | | |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | Overseas legal person | 0.50% | 14,771,945 | 0 | 0 | 14,771,945 | | | |
| GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED | Overseas legal person | 0.40% | 11,857,746 | 1,344,583 | 0 | 11,857,746 | | | |
| Strategic investors or general legal persons who become the top ten ordinary shareholders due to the placement of new shares (if any) | 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, chairman and general manager of Chenming Holdings Company Limited. Save for the above, it is not aware that any other shareholders mentioned above are persons acting in concert. It is also not aware that any other shareholders mentioned above 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 10 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 ordinary shareholders | | |
|--|---|--|----------------------------|
| | Number of non-restricted ordinary 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 | 373,381,375 | Overseas listed foreign shares | 373,381,375 |
| CHENMING HOLDINGS (HONG KONG) LIMITED | 364,131,563 | Domestic listed foreign shares Overseas listed foreign shares | 210,717,563 153,414,000 |
| NINGBO ASIA PAPER TUBE & CARTON CO., LTD. | 32,120,000 | RMB ordinary shares | 32,120,000 |
| SHANDONG SUN HOLDINGS GROUP CO., LTD. | 24,507,117 | RMB ordinary shares | 24,507,117 |
| HONG KONG SECURITIES CLEARING COMPANY LIMITED | 16,218,780 | RMB ordinary shares | 16,218,780 |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND | 14,819,546 | Domestic listed foreign shares | 14,819,546 |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 14,771,945 | Domestic listed foreign shares | 14,771,945 |
| GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED | 11,857,746 | Domestic listed foreign shares | 11,857,746 |
| Agricultural Bank of China Limited – CSI 500 Trading Index Securities Investment Open-ended Fund | 5,920,500 | RMB ordinary shares | 5,920,500 |

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, if any

Chenming Holdings Company Limited held 457,322,919 RMB ordinary shares, of which 352,322,919 shares were held through ordinary account and 105,000,000 shares were held through credit guarantee security account. Ningbo Asia Paper Tube & Carton Co., Ltd. held 32,120,000 RMB ordinary shares, of which no share was held through ordinary account and 32,120,000 shares were held through credit guarantee security account. Shandong Sun Holdings Group Co., Ltd. held 24,507,117 RMB ordinary shares, of which no share was held through ordinary account and 24,507,117 shares were held through credit guarantee security account.

VII Changes in Share Capital and Shareholders

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

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

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.

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 2022, 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 held as at the end of the reporting period (shares) |
|-----------------------|---|--|
| Directors | | |
| Chen Hongguo (Note 1) | Chairman and general manager | 31,080,044 A shares |
| Hu Changqing | Executive Director and vice chairman | 5,042,857 A shares |
| Li Xingchun | Executive Director and vice chairman | 5,000,000 A shares |
| Li Feng | Executive Director and deputy general manager | 3,906,027 A shares |
| Li Weixian | Executive Director and deputy general manager | 2,081,200 A shares 159,000 H shares |
| 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 A shares |
| Pan Ailing | Supervisor | — |
| Zhang Hong | Supervisor | — |
| Sang Ailing | Supervisor | — |
| Qiu Lanju | Supervisor | — |

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)

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 2) | 231,000,000 | – | 231,000,000 |

Note 1: 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 2: Chen Hongguo and his spouse, Li Xueqin, collectively hold 76.79% equity interests in Shouguang Henglian Enterprise Investment Co. Ltd., (hereinafter referred to as "Shouguang Henglian"), 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.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 2022, 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 Co., Ltd. | 457,322,919 A shares (L) | 15.32 | 26.14 |
| Chenming Holdings (Hong Kong) Limited | 210,717,563 B shares (L) | 7.06 | 29.83 |
| Chenming Holdings (Hong Kong) Limited | 153,414,000 H shares (L) | 5.14 | 29.04 |

(L) – Long position

(S) – Short position

(P) – Lending pool

Save as disclosed above, as at 30 June 2022, 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

1. Basic information on Corporate Bonds

| 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 |
|---|--|-----------|---------------|--------------|---------------|---------------------------------------|---------------|--|-------------------------|
| The public issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (phase I) | 18 Chenming Bond 01 | 112641 | 29 March 2018 | 2 April 2018 | 2 April 2023 | 350,000,000.00 | 6.50% | Interest is paid annually. The principal amount will be paid on the maturity date. | Shenzhen Stock Exchange |
| Investor eligibility arrangement (if any) | Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. | | | | | | | | |
| Applicable trading mechanism | Dual listing and trading on the centralised bidding system and the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange | | | | | | | | |
| Whether there are delisting risks (if any) and countermeasures | No | | | | | | | | |

Overdue and outstanding bonds

Applicable Not applicable

IX Bonds

II. Corporate Bonds (Cont'd)

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

Applicable Not applicable

"18 Chenming Bond 01" is attached with options for the issuer to adjust the coupon rate and for investors to resell. The issuer of "18 Chenming Bond 01" has the right to determine the adjustment to the coupon rate for the following 3 years at the end of the second year and the adjustment to the coupon rate for the following year as the end of the fourth year. If the issuer does not exercise the option to adjust the coupon rate, the coupon rate for the subsequent term will remain unchanged. After issuing the announcement on whether the coupon rate of the relevant tranche of bonds will be adjusted and the range of adjustment, the investors have the right to register for reselling during the period as announced to resell all or part of the relevant tranche of bonds held to the issuer at par value.

The Company chose to lower the coupon rate of "18 Chenming Bond 01" to 6.50% at the end of the fourth year as agreed in the Prospectus on the Public Issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2018 (phase I). Bondholders of "18 Chenming Bond 01" could declare resale in whole or in part for "18 Chenming Bond 01" bonds they held on 28 February, 1 March, 2 March, 3 March and 4 March 2022 at a resale price of RMB100 per bond (interests exclusive). According to the data provided by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the amount of the "18 Chenming Bond 01" for this resale was 1,955,000.00, and the total amount of the resale was RMB195,500,000.00 (interests exclusive) with a remaining custodial amount of 1,545,000.00.

From 8 April 2022 to 30 April 2022, the Company handled the resale of bonds to be resold in accordance with relevant regulations. The number of resale bonds completed was 1,955,000.00 at an average resale price of RMB100 per bond. Upon the completion of the resale, there were no bonds that had not been resold, and the remaining custodial amount of "18 Chenming Bond 01" was 3,500,000.00.

For details, please refer to the relevant announcements (announcement no.: 2022-004, 2022-005, 2022-006, 2022-025, 2022-028 and 2022-031) of the Company published on CNINFO on 25 February, 1 March, 3 March, 31 March, 7 April and 10 May 2022.

3. Adjustment of credit rating results during the reporting period

Applicable Not applicable

On 26 May 2022, China Chengxin International Credit Rating Co., Ltd. ("China Chengxin International") issued the Follow-up Rating Report (2022) with Respect to the Public Issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2018 (phase I) (Xin Ping Wei Han Zi [2022] Gen Zong No. 0343). China Chengxin International adjusted the issuer credit rating of the Company at AA+, the credit rating of "18 Chenming Bond 01" at AA+, and the negative rating outlook, to: the issuer credit rating of the Company at AA+ and the credit rating of "18 Chenming Bond 01" at AA+ unchanged, and the issuer and debt credit ratings included in the credit rating watch list.

For further details, please refer to the Follow-up Rating Report (2022) with Respect to the Public Issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to Qualified Investors in 2018 (phase I) disclosed on CNINFO on 26 May 2022.

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

"18 Chenming Bond 01" bonds are unsecured bonds. During the reporting period, 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, and were consistent with the relevant commitments in the prospectus.

IX Bonds

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 | N/A | 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 |
| 2019 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited | 19 Lu Chenming MTN001 | 101900930 | 15 July 2019 | 17 July 2019 | 17 July 2022 | 700,000,000.00 | 6.5% | Interest is paid annually and the principal is repaid upon maturity. | Inter-bank bond market |
| 2019 second tranche of medium-term notes of Shandong Chenming Paper Holdings Limited | 19 Lu Chenming MTN002 | 101901058 | 9 August 2019 | 13 August 2019 | 13 August 2022 | 500,000,000.00 | 6.5% | Interest is paid annually and the principal is repaid upon maturity. | Inter-bank bond market |
| Investor eligibility arrangement (if any) | | | | Nil | | | | | |
| 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

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

Applicable Not applicable

3. Adjustment of credit rating results during the reporting period

Applicable Not applicable

On 26 May 2022, China Chengxin International issued the Follow-up Rating Report of Shandong Chenming Paper Holdings Limited 2022 (Xin Ping Wei Han Zi [2022] Gen Zong No. 0345). China Chengxin International adjusted the issuer credit rating of the Company at AA+, the credit ratings of "17 Lu Chenming MTN001", "18 Lu Chenming MTN002", "19 Lu Chenming MTN001" and "19 Lu Chenming MTN002" at AA+, and the negative rating outlook, to: the issuer credit rating of the Company at AA+ and the credit ratings of "17 Lu Chenming MTN001", "18 Lu Chenming MTN002", "19 Lu Chenming MTN001" and "19 Lu Chenming MTN002" at AA+ unchanged, and the issuer and debt credit ratings included in the credit rating watch list.

For further details, please refer to the Follow-up Rating Report of Shandong Chenming Paper Holdings Limited 2022 disclosed on Chinamoney on 26 May 2022.

IX Bonds

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

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”, “19 Lu Chenming MTN001” and “19 Lu Chenming MTN002” are not guaranteed. During the reporting period, the Company was able to strictly implement the debt repayment plans, and paid the interest on time and in full according to the time stipulated in the prospectuses. Their debt repayment plans and other debt repayment guarantee measures remained unchanged, which were consistent with the relevant commitments in the prospectuses.

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

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 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 |
|--|--|--|---|
| | | | |
| Current ratio | 68.50% | 65.05% | 3.45% |
| Gearing ratio | 72.89% | 72.78% | 0.11% |
| Quick ratio | 58.10% | 54.59% | 3.51% |
| | | | Increase/decrease of the reporting period as compared to corresponding period of the prior year |
| | The reporting period | The corresponding period of the prior year | |
| Net profit after extraordinary gains or losses | 17,340.79 | 196,471.82 | -91.17% |
| Proportion of EBITDA to total debts | 4.25% | 8.97% | -4.72% |
| Interest coverage ratio | 1.33 | 2.99 | -55.52% |
| Cash interest coverage ratio | 2.11 | 4.70 | -55.11% |
| EBITDA interest coverage ratio | 2.72 | 4.00 | -32.00% |
| 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 2022

Unit: RMB

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

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

| Item | 30 June 2022 | 31 December 2021 |
|---|--------------------------|--------------------------|
| CURRENT LIABILITIES: | | |
| Short term borrowings | 36,359,663,944.57 | 33,523,025,186.22 |
| Bills payable | 4,035,081,278.85 | 3,089,512,327.40 |
| Accounts payable | 3,268,986,931.66 | 3,871,131,345.34 |
| Receipts in advance | 26,735,329.19 | 38,274,028.20 |
| Contract liabilities | 1,334,133,746.95 | 1,382,289,597.54 |
| Employee benefits payable | 130,627,751.53 | 169,899,008.01 |
| Taxes payable | 176,062,048.68 | 321,495,480.67 |
| Other payables | 1,544,415,534.74 | 1,538,013,585.93 |
| Including: Interest payable | 65,975,461.61 | 55,437,777.80 |
| Dividend payable | — | — |
| Non-current liabilities due within one year | 4,558,351,674.18 | 6,601,311,227.98 |
| Other current liabilities | — | — |
| Total current liabilities | 51,434,058,240.35 | 50,534,951,787.29 |
| NON-CURRENT LIABILITIES: | | |
| Long-term borrowings | 5,363,235,057.03 | 5,276,340,154.98 |
| Bonds payable | — | 155,000,000.00 |
| Including: Preference shares | — | — |
| Perpetual Bonds | — | — |
| Lease liabilities | 54,751,617.05 | 57,281,205.81 |
| Long-term payables | 3,383,399,934.07 | 2,358,901,022.99 |
| Provisions | 325,259,082.28 | 325,259,082.28 |
| Deferred income | 1,521,325,740.88 | 1,573,681,684.25 |
| Deferred income tax liabilities | 12,761,398.95 | 13,210,529.74 |
| Other non-current liabilities | — | — |
| Total non-current liabilities | 10,660,732,830.26 | 9,759,673,680.05 |
| Total liabilities | 62,094,791,070.61 | 60,294,625,467.34 |
| OWNERS' EQUITY: | | |
| Share capital | 2,984,208,200.00 | 2,984,208,200.00 |
| 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 | 5,250,084,902.32 | 5,282,805,114.62 |
| Less: Treasury shares | 226,860,000.00 | 226,860,000.00 |
| Other comprehensive income | -596,159,006.77 | -445,582,729.36 |
| Surplus reserves | 1,212,009,109.97 | 1,212,009,109.97 |
| General risk provisions | 76,825,918.60 | 76,825,918.60 |
| Retained profit | 9,524,268,170.62 | 9,210,372,613.81 |
| Total equity attributable to owners of the Company | 19,220,377,294.74 | 19,089,778,227.64 |
| Minority interest | 3,871,412,679.89 | 3,457,050,907.26 |
| Total owners' equity | 23,091,789,974.63 | 22,546,829,134.90 |
| Total liabilities and owners' equity | 85,186,581,045.24 | 82,841,454,602.24 |

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

X Financial Report

II. Financial Statements (Cont'd)

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

| Item | 30 June 2022 | 31 December 2021 |
|--------------------------------------|-------------------|-------------------|
| NON-CURRENT LIABILITIES: | | |
| Long-term borrowings | 1,838,330,770.83 | 1,779,135,700.00 |
| Bonds payable | – | 155,000,000.00 |
| Long-term payables | 293,666,383.24 | 52,376,768.35 |
| Provisions | 325,259,082.28 | 325,259,082.28 |
| Deferred income | 34,111,573.96 | 35,232,490.83 |
| Deferred income tax liabilities | – | – |
| Other non-current liabilities | – | – |
| Total non-current liabilities | 2,491,367,810.31 | 2,347,004,041.46 |
| Total liabilities | 32,410,861,949.63 | 31,106,155,475.51 |
| OWNERS' EQUITY: | | |
| Share capital | 2,984,208,200.00 | 2,984,208,200.00 |
| 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 | 5,147,515,323.53 | 5,154,365,336.31 |
| Less: Treasury shares | 226,860,000.00 | 226,860,000.00 |
| Other comprehensive income | – | – |
| Surplus reserves | 1,199,819,528.06 | 1,199,819,528.06 |
| Retained profit | 3,077,140,864.40 | 2,921,641,460.59 |
| Total owners' equity | 13,177,823,915.99 | 13,029,174,524.96 |
| Total liabilities and owners' equity | 45,588,685,865.62 | 44,135,330,000.47 |

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated Income Statement

Unit: RMB

| Item | First half of 2022 | First half of 2021 |
|--|--------------------|--------------------|
| I. Total revenue | 16,676,428,365.83 | 17,172,816,354.53 |
| Including: Revenue | 16,676,428,365.83 | 17,172,816,354.53 |
| II. Total operating costs | 16,436,429,464.84 | 14,740,489,809.82 |
| Including: Operating costs | 14,054,949,279.20 | 11,861,060,977.92 |
| Taxes and surcharges | 116,108,890.55 | 163,794,026.94 |
| Sales and distribution expenses | 138,055,763.65 | 147,622,738.74 |
| General and administrative expenses | 422,766,365.85 | 492,048,555.49 |
| Research and development expense | 683,514,560.93 | 757,021,354.57 |
| Finance expenses | 1,021,034,604.66 | 1,318,942,156.16 |
| Including: Interest expenses | 991,475,816.56 | 1,399,107,777.11 |
| Interest income | 150,582,370.85 | 221,507,514.16 |
| Plus: Other income | 149,264,611.68 | 123,098,748.58 |
| Investment income (“-” denotes loss) | -24,138,176.90 | 98,631,701.79 |
| Including: Investment income from associates and joint ventures | 26,616,556.58 | 82,955,115.52 |
| Gain on change in fair value (“-” denotes loss) | -58,813,415.49 | -99,119,691.89 |
| Credit impairment loss (“-” denotes loss) | -25,363,341.17 | -279,757,983.46 |
| Loss on impairment of assets (“-” denotes loss) | 1,936,644.09 | - |
| Gain on disposal of assets (“-” denotes loss) | 1,605,314.49 | 48,920,358.12 |
| III. Operating profit (“-” denotes loss) | 284,490,537.69 | 2,324,099,677.85 |
| Plus: Non-operating income | 1,093,429.33 | 18,721,283.64 |
| Less: Non-operating expenses | 10,202,739.60 | 2,332,530.96 |
| IV. Total profit (“-” denotes loss) | 275,381,227.42 | 2,340,488,430.53 |
| Less: Income tax expenses | 1,378,726.69 | 274,057,779.20 |
| V. Net profit (“-” denotes loss) | 274,002,500.73 | 2,066,430,651.33 |
| (I) Classification according to the continuity of operation | | |
| 1. Net profit from continuing operations (“-” denotes loss) | 274,002,500.73 | 2,066,430,651.33 |
| 2. Net profit from discontinued operations (“-” denotes loss) | - | - |
| (II) Classification according to ownership | | |
| 1. Net profit attributable to shareholders of the Company | 230,141,463.76 | 2,021,095,417.54 |
| 2. Profit or loss of minority interest | 43,861,036.97 | 45,335,233.79 |
| VI. Net other comprehensive income after tax | -150,576,277.41 | 50,956,682.73 |
| Net other comprehensive income after tax attributable to shareholders of the Company | -150,576,277.41 | 50,956,682.73 |
| (I) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods | - | - |
| (II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods | -150,576,277.41 | 50,956,682.73 |
| 1. Other comprehensive income that may be reclassified to profit or loss under the equity method | 4,743,150.54 | - |
| 2. Exchange differences arising from translation of financial statements denominated in foreign currencies | -155,319,427.95 | 50,956,682.73 |
| Other comprehensive income, net of tax attributable to non-controlling interests | - | - |

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated income statement (Cont'd)

| Item | First half of 2022 | First half of 2021 |
|--|--------------------|--------------------|
| VII. Total comprehensive income | 123,426,223.32 | 2,117,387,334.06 |
| Total comprehensive income attributable to shareholders of the Company | 79,565,186.35 | 2,072,052,100.27 |
| Total comprehensive income attributable to minority interest | 43,861,036.97 | 45,335,233.79 |
| VIII. Earnings per share: | | |
| (I) Basic earnings per share | 0.064 | 0.604 |
| (II) Diluted earnings per share | 0.064 | 0.604 |

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 2022 | First half of 2021 |
|---|--------------------|--------------------|
| I. Revenue | 3,746,662,856.50 | 4,683,453,465.64 |
| Less: Operating costs | 3,381,230,045.73 | 3,511,074,075.94 |
| Taxes and surcharges | 14,470,073.85 | 42,172,707.76 |
| Sales and distribution expenses | 3,847,240.05 | 6,054,328.93 |
| General and administrative expenses | 89,156,653.40 | 133,937,050.37 |
| Research and development expense | 165,518,080.69 | 183,256,544.45 |
| Finance expenses | 210,696,803.24 | 206,076,531.65 |
| Including: Interest expenses | 333,394,473.97 | 442,271,605.59 |
| Interest income | 230,217,851.40 | 304,371,806.49 |
| Plus: Other income | 24,145,213.86 | 2,494,987.66 |
| Investment income ("-" denotes loss) | 237,259,432.75 | 2,679,672,292.80 |
| Including: Investment income from associates and joint ventures | -5,337,689.31 | -4,587,981.17 |
| Gains on changes in fair value ("-" denotes loss) | - | - |
| Credit impairment loss ("-" denotes loss) | -722,675.75 | 29,056,014.19 |
| Loss on impairment of assets ("-" denotes loss) | - | - |
| Gain on disposal of assets ("-" denotes loss) | 172,652.98 | 4,656,034.96 |
| II. Operating profit ("-" denotes loss) | 142,598,583.38 | 3,316,761,556.15 |
| Plus: Non-operating income | 61,000.00 | 486,916.50 |
| Less: Non-operating expenses | 3,003,746.82 | 389,511.26 |
| III. Total profit ("-" denotes total loss) | 139,655,836.56 | 3,316,858,961.39 |
| Less: Income tax expenses | -15,843,567.25 | 74,345,014.02 |
| IV. Net profit ("-" denotes net loss) | 155,499,403.81 | 3,242,513,947.37 |
| (I) Net profit from continuing operations ("-" denotes net loss) | 155,499,403.81 | 3,242,513,947.37 |
| V. Net other comprehensive income after tax | - | - |
| (I) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods | - | - |
| (II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods | - | - |
| VI. Total comprehensive income | 155,499,403.81 | 3,242,513,947.37 |
| VII. Earnings per share: | | |
| (I) Basic earnings per share | - | - |
| (II) Diluted earnings per share | - | - |

X Financial Report

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement

Unit: RMB

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

X Financial Report

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

| Item | First half of 2022 | First half of 2021 |
|--|--------------------------|--------------------------|
| III. Cash flows from financing activities: | | |
| Cash received from investments | 400,000,000.00 | 2,500,000,000.00 |
| Including: Cash received from subsidiaries from minority investment | 400,000,000.00 | 2,500,000,000.00 |
| Cash received from borrowings | 17,740,613,294.18 | 15,114,516,924.13 |
| Cash received relating to other financing activities | 2,078,910,644.82 | 2,734,332,351.51 |
| Subtotal of cash inflows from financing activities | 20,219,523,939.00 | 20,348,849,275.64 |
| Cash repayments of amounts borrowed | 16,096,915,969.19 | 16,987,908,936.87 |
| Cash paid for dividend and profit distribution or interest payment | 1,053,952,956.06 | 1,427,506,125.27 |
| Including: Dividend and profit paid by subsidiaries to minority shareholders | – | 48,309,125.87 |
| Cash paid relating to other financing activities | 3,310,774,061.40 | 5,519,292,287.81 |
| Subtotal of cash outflows from financing activities | 20,461,642,986.65 | 23,934,707,349.95 |
| Net cash flows from financing activities | -242,119,047.65 | -3,585,858,074.31 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | 24,169,806.97 | -19,367,887.88 |
| V. Net increase in cash and cash equivalents | -26,309,755.06 | 236,610,212.78 |
| Plus: Balance of cash and cash equivalents as at the beginning of the period | 3,168,915,847.02 | 4,389,169,963.79 |
| VI. Balance of cash and cash equivalents as at the end of the period | 3,142,606,091.96 | 4,625,780,176.57 |

X Financial Report

II. Financial Statements (Cont'd)

6. Cash flow statement of the Company

Unit: RMB

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

X Financial Report

II. Financial Statements (Cont'd)

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

| Item | First half of 2022 | First half of 2021 |
|--|--------------------|--------------------|
| III. Cash flows from financing activities: | | |
| Cash received from borrowings | 10,531,501,508.20 | 10,020,478,661.27 |
| Cash received relating to other financing activities | 247,000,000.00 | 156,665,920.24 |
| Subtotal of cash inflows from financing activities | 10,778,501,508.20 | 10,177,144,581.51 |
| Cash repayments of amounts borrowed | 10,584,544,305.53 | 8,736,105,095.52 |
| Cash paid for dividend and profit distribution or interest payment | 320,363,139.80 | 219,435,214.79 |
| Cash paid relating to other financing activities | 307,022,816.27 | 4,871,112,670.18 |
| Subtotal of cash outflows from financing activities | 11,211,930,261.60 | 13,826,652,980.49 |
| Net cash flows from financing activities | -433,428,753.40 | -3,649,508,398.98 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | 6,179,448.15 | 2,460,284.82 |
| V. Net increase in cash and cash equivalents | 50,533,472.56 | -93,608,666.63 |
| Plus: Balance of cash and cash equivalents as at the beginning of the period | 893,454,314.56 | 301,284,723.52 |
| VI. Balance of cash and cash equivalents as at the end of the period | 943,987,787.12 | 207,676,056.89 |

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Amounts for the period

Unit: RMB

| Item | First half of 2022 | | | | | | | | | | | | | | |
|--|--|-------------------|-------------------|--------|--------------------------|-----------------------|-----------------------|------------------|------------------|-------------------------|----------------------|-----------------|-------------------|------------------|-------------------|
| | Equity attributable to owners of the Company | | | | | | | | | | | | | | |
| | Share capital | | Preference shares | | Other equity instruments | | Less: treasury shares | | Other | | Total owners' equity | | | | |
| | Share capital | Preference shares | Perpetual Bonds | Others | Capital reserves | Less: treasury shares | 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 | 2,394,208,200.00 | - | 986,000,000.00 | - | 5,282,805,114.62 | 228,860,000.00 | -445,582,729.36 | - | 1,212,008,103.97 | 76,825,916.60 | 9,210,372,613.81 | - | 19,089,778,227.64 | 3,457,050,907.26 | 22,546,829,134.90 |
| Plus: Others | - | - | - | - | -55,547,014.21 | - | - | - | - | - | 83,754,030.05 | - | 28,207,078.84 | - | 28,207,078.84 |
| II. Balance as at the beginning of the year | 2,394,208,200.00 | - | 986,000,000.00 | - | 5,227,258,100.41 | 228,860,000.00 | -445,582,729.36 | - | 1,212,008,103.97 | 76,825,916.60 | 9,294,126,706.86 | - | 19,117,985,306.48 | 3,457,050,907.26 | 22,575,036,213.74 |
| III. Changes in the period ("-" denotes decrease) | - | - | - | - | 22,826,801.91 | - | -191,576,277.41 | - | - | - | 230,141,463.76 | - | 102,891,988.26 | 414,361,772.63 | 516,753,760.69 |
| (I) Total comprehensive income | - | - | - | - | - | - | -191,576,277.41 | - | - | - | 230,141,463.76 | - | 79,555,186.35 | 44,038,507.32 | 123,693,713.67 |
| (II) Capital paid in and reduced by owners | - | - | - | - | 22,826,801.91 | - | - | - | - | - | - | - | - | 370,323,165.31 | 393,149,967.22 |
| 1. Ordinary shares paid by owners | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Capital paid by holders of other equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - | 370,323,165.31 | 370,323,165.31 |
| 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 | 2,394,208,200.00 | - | 986,000,000.00 | - | 5,250,094,902.32 | 228,860,000.00 | -556,159,006.77 | - | 1,212,008,103.97 | 76,825,916.60 | 9,524,268,170.82 | - | 19,220,377,294.74 | 3,671,412,679.89 | 23,091,789,974.63 |

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 2021 | | | | | | | | | | | Total owners' equity | | |
|--|--|-------------------|--------------------------|------------------|-----------------------|----------------------------|------------------|------------------|-------------------------|-------------------|-------------------|----------------------|------------------|-------------------|
| | Equity attributable to owners of the Company | | | | | | | | | | Minority interest | | | |
| | 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 | |
| I. Balance as at the end of the prior year | 2,894,208,200.00 | 4,477,500,000.00 | 966,000,000.00 | 5,329,911,413.75 | 228,860,000.00 | -671,686,607.66 | - | 1,212,008,103.97 | 74,122,644.20 | 9,989,764,026.74 | - | 24,276,588,780.00 | 1,523,294,926.24 | 25,800,263,715.24 |
| II. Balance as at the beginning of the year | 2,894,208,200.00 | 4,477,500,000.00 | 966,000,000.00 | 5,329,911,413.75 | 228,860,000.00 | -671,686,607.66 | - | 1,212,008,103.97 | 74,122,644.20 | 9,989,764,026.74 | - | 24,276,588,780.00 | 1,523,294,926.24 | 25,800,263,715.24 |
| III. Changes in the period ("+" denotes increase) | - | -2,238,750,000.00 | - | -62,515,691.49 | - | 57,916,689.67 | - | - | - | 1,261,850,931.88 | - | -961,489,059.74 | 2,414,621,834.30 | 1,433,212,774.56 |
| (I) Total comprehensive income | - | - | - | - | - | 57,916,689.67 | - | - | - | 2,021,085,477.54 | - | -2,079,001,177.41 | 46,335,233.79 | 2,124,336,351.20 |
| (II) Capital paid in and reduced by owners | - | -2,238,750,000.00 | - | -62,515,691.49 | - | - | - | - | - | - | - | -2,301,256,691.49 | 2,417,595,726.38 | 116,330,034.89 |
| 1. Ordinary shares paid by owners | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Capital paid by holders of other equity instruments | - | -2,238,750,000.00 | - | -11,230,000.00 | - | - | - | - | - | - | - | -2,250,000,000.00 | - | -2,250,000,000.00 |
| 3. Amount of share-based payments recognised in owners' equity | - | - | - | 26,330,034.89 | - | - | - | - | - | - | - | 26,330,034.89 | - | 26,330,034.89 |
| 4. Others | - | - | - | -77,595,726.38 | - | - | - | - | - | - | - | -77,595,726.38 | - | -77,595,726.38 |
| (III) Profit distribution | - | - | - | - | - | - | - | - | - | -759,144,485.66 | - | -759,144,485.66 | -48,309,125.87 | -807,453,611.53 |
| 1. Distribution to owners (to shareholders) | - | - | - | - | - | - | - | - | - | -759,144,485.66 | - | -759,144,485.66 | -48,309,125.87 | -807,453,611.53 |
| IV. Balance as at the end of the period | 2,894,208,200.00 | 2,238,750,000.00 | 966,000,000.00 | 5,269,395,722.26 | 228,860,000.00 | -563,769,917.79 | - | 1,212,008,103.97 | 74,122,644.20 | 11,261,714,960.82 | - | 23,295,589,729.26 | 3,957,916,760.54 | 27,253,476,488.90 |

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 2022 | | | | Total owners' equity | |
|--|--------------------------|-------------------|-----------------|--------|--------------------|-----------------|----------------------------|-------|----------------------|-------------------|
| | Share capital | Preference shares | Perpetual Bonds | Others | Share capital | Treasury shares | Less: comprehensive income | Other | | |
| I. Balance as at the end of the prior year | 2,984,208,200.00 | - | 895,000,000.00 | - | 5,154,365,336.31 | 226,860,000.00 | - | - | - | 13,029,174,524.96 |
| II. Balance as at the beginning of the year | 2,984,208,200.00 | - | 895,000,000.00 | - | 5,154,365,336.31 | 226,860,000.00 | - | - | - | 13,029,174,524.96 |
| III. Changes in the period | | | | | | | | | | |
| (*) denotes decrease | | | | | | | | | | |
| (I) Total comprehensive income | - | - | - | - | -6,850,012.78 | - | - | - | - | 148,849,391.03 |
| (II) Capital paid in and reduced by owners | - | - | - | - | - | - | - | - | - | 155,499,403.81 |
| 1. Amount of share-based payments recognised in owners' equity | - | - | - | - | -6,850,012.78 | - | - | - | - | -6,850,012.78 |
| (III) Profit distribution | - | - | - | - | - | - | - | - | - | - |
| (IV) Transfer within owners' equity | - | - | - | - | - | - | - | - | - | - |
| IV. Balance as at the end of the period | 2,984,208,200.00 | - | 895,000,000.00 | - | 5,147,515,323.53 | 226,860,000.00 | - | - | - | 13,177,823,915.99 |

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 2021 | | | | Total owners' equity | | | |
|--|--------------------------|-------------------|-----------------|--------|------------------|--------------------|----------------------------|----------------------------|------------------|----------------------|------------------|-----------------|-------------------|
| | Share capital | Preference shares | Perpetual Bonds | Others | Share capital | 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 | 2,984,208,200.00 | 4,477,500,000.00 | 995,000,000.00 | - | 5,124,308,464.42 | 226,860,000.00 | - | - | - | 1,199,819,528.06 | 718,245,947.72 | - | 15,273,222,140.20 |
| II. Balance as at the beginning of the year | 2,984,208,200.00 | 4,477,500,000.00 | 995,000,000.00 | - | 5,124,308,464.42 | 226,860,000.00 | - | - | - | 1,199,819,528.06 | 718,245,947.72 | - | 15,273,222,140.20 |
| III. Changes in the period | | | | | | | | | | | | | |
| ("-" denotes decrease) | - | -2,238,750,000.00 | - | - | 15,080,034.89 | - | - | - | - | - | 2,483,389,461.71 | - | 259,689,496.60 |
| (I) Total comprehensive income | - | - | - | - | - | - | - | - | - | - | 3,242,513,947.37 | - | 3,242,513,947.37 |
| (II) Capital paid in and reduced by owners | - | -2,238,750,000.00 | - | - | 15,080,034.89 | - | - | - | - | - | - | - | -2,223,669,965.11 |
| 1. Capital paid by holders of other equity instruments | - | -2,238,750,000.00 | - | - | -11,250,000.00 | - | - | - | - | - | - | - | -2,250,000,000.00 |
| 2. Amount of share-based payments recognised in owners' equity | - | - | - | - | 26,330,034.89 | - | - | - | - | - | - | - | 26,330,034.89 |
| (III) Profit distribution | - | - | - | - | - | - | - | - | - | - | -759,144,485.66 | - | -759,144,485.66 |
| 1. Distribution to owners (or shareholders) | - | - | - | - | - | - | - | - | - | - | -759,144,485.66 | - | -759,144,485.66 |
| IV. Balance as at the end of the period | 2,984,208,200.00 | 2,238,750,000.00 | 995,000,000.00 | - | 5,139,388,499.31 | 226,860,000.00 | - | - | - | 1,199,819,528.06 | 3,201,615,409.43 | - | 15,532,921,636.80 |

X Financial Report

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 2022, the total share capital of the Company was changed to 2,984,208,200 shares. For details, please refer to Note VII. 39.

The Company has established a corporate governance structure comprising the general meeting, the board of directors and the supervisory committee, and has manufacturing business centre, supply chain management centre, business department, marketing department, financial capital management centre, enterprise management centre, public utilities centre, securities investment department, audit department and other departments.

The Company and its subsidiaries 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.

The financial statements and notes thereto were approved at the second meeting of the tenth session of the board of directors of the Company (the “Board”) on 30 August 2022.

2. Scope of consolidation

Subsidiaries of the Company included in the scope of consolidation in 2022 totalled 75. For details, please refer to Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had one more company included and one company less compared to the prior year. For details, please refer to Note VIII “Changes in the scope of consolidation”.

X Financial Report

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

These financial statements are prepared in accordance with the accounting standards for business enterprises, the application guidelines thereof, interpretations and other related rules (hereinafter 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 depreciation of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations

2. Going concern

No facts or circumstances comprise a material uncertainty about the 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, financial leasing, hotel management and other operations. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition, determination of performance progress and R&D expenses based on their actual production and operation characteristics pursuant to the requirements under the relevant accounting standards for business enterprises. For details, please refer to this Note V. 36 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 40 “Change of Significant accounting policies and accounting estimates”.

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

These financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Company as at 30 June 2022 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for the first half of 2022.

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.

X Financial Report

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, except for the adjustments of different accounting policies. 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, except for adjustments of different accounting policies. 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.

X Financial Report

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, 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 investment 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.

X Financial Report

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 intracompany 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 profit or loss 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 profit or loss 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 (share capital premium), 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.

X Financial Report

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

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

A joint arrangement refers to an arrangement of two or more parties have joint control. The joint arrangements of the 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.

X Financial Report

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 profit or loss 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 owners' equity in the balance sheet, shall be transferred to profit or loss in whole or in proportionate share in the period in which the disposal took place.

X Financial Report

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 other comprehensive income:

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.

X Financial Report

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.

X Financial Report

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 or notes 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.

X Financial Report

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. 41.

(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).

X Financial Report

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.

X Financial Report

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

10. Financial instruments (Cont'd)

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

Bills receivable and accounts receivable

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

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

A. Bills receivable

Bills receivable portfolio 1: Bank acceptance bills

Bills receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

Accounts receivable portfolio 1: Due from related party customers

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

Accounts receivable portfolio 3: Factoring receivables

For bills receivable and contract assets 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.

X Financial Report

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.

X Financial Report

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.

X Financial Report

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.

X Financial Report

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

11. Bills receivable

Method for determining the ECLs of bills receivable

The Company measures the loss provisions for bills receivable in accordance with the ECLs amount for the entire period. Based on the credit risk characteristics of bills receivable, bills receivable are divided into different groups:

| Item | Basis for determining the groups |
|-----------------------------|---|
| Bank acceptance bills | The acceptance party is a bank with less credit risk |
| Commercial acceptance bills | The acceptance party is a company with higher credit risk |

12. Accounts receivable

Method for determining the ECLs of accounts receivable

For receivables and contract assets that do not contain significant financing components, the Company measures loss provisions based on the ECL amount for the entire period.

For receivables, contract assets and lease receivables that contain significant financing components, the Company chooses to always measure the loss provision based on the ECL amount for the entire period.

In addition to accounts receivable and contract assets which are individually assessed for credit risk, they are also classified into different groups based on their credit risk characteristics:

| Item | Basis for determining the groups |
|---------------------------------------|--|
| Amount due from related parties | This group comprises amounts due from related parties with lower risks. |
| Factoring receivables | This group comprises factoring receivables with special risks. |
| Amount due from distributor customers | This group comprises receivables with their ageing as credit risk characteristics. |

X Financial Report

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

13. Accounts receivable financing

As for notes receivable and Accounts receivable that classified as measured at fair value through other comprehensive income, the portion within one year (inclusive) from the date of acquisition is presented as financing receivables. For relevant accounting policies, please refer to note V. 10. Financial instruments.

14. Other receivables

Determination and accounting treatment of ECLs of other receivables

The Company measures impairment losses using the ECL amount in the next 12 months or the entire duration, based on whether the credit risk of other receivables has increased significantly upon initial recognition. In addition to other receivables which are individually assessed for credit risk, they are also classified into different groups based on their credit risk characteristics:

| Item | Basis for determining the groups |
|-------------------------------------|---|
| Dividends receivable | This group comprises dividends receivable. |
| Interest receivable | This group comprises interest due from financial institutions. |
| Amount due from government agencies | This group comprises amount due from government agencies with less risks. |
| Amount due from related parties | This group comprises amount due from related parties with less risks. |
| Other receivables | This group comprises for all types of deposits, advances and premiums receivable during daily and recurring activities. |

15. 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.

X Financial Report

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

15. 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 Group are amortised when issued for use.

Packaging materials for turnover are amortised when issued for use.

16. Contract assets

Contract assets are the Company's right to consideration in exchange for goods that the Company has transferred to customers when that right is conditioned on something other than the passage of time. The Company's unconditional right to receive consideration from customers (only the passage of time is required) is accounted for as accounts receivable.

The methods for determination and accounting treatment of the ECLs on contract assets are detailed in Note V. 10 Financial instruments.

17. 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. an incremental sales commission. The Company recognises as an asset the incremental costs of obtaining a contract with a customer 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 accounting standards, 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 Group 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.

X Financial Report

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

17. Contract costs (Cont'd)

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. An expense is recognised when incurred if the amortisation period is less than one year.

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.

18. Assets held for sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange with commercial substance) rather than through continuing use.

The aforesaid non-current asset does not include the investment property subsequently measured at fair value, the biological assets measured at the net amount of the fair value deducting the sales expense, the assets generated from remuneration, financial assets, deferred income tax assets and rights from insurance contract.

A disposal group is a group of assets to be disposed of together as a whole by sale or other means in a transaction, and liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstances, the disposal group includes the goodwill acquired in the business combination.

A non-current asset or a disposal group is classified as held for sale if it meets all of the following conditions: the noncurrent asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; the sale is highly probable, i.e. a sale plan has been resolved and a firm purchase commitment has been obtained, and the sale is expected to be completed within one year. When the Group loses control of a subsidiary due to reasons such as disposal of investment in a subsidiary, regardless of whether the Group retains part of the equity investment after the disposal, when the investment in a subsidiary intended to be disposed of meets the conditions for classification as held for sale, the investment in a subsidiary is classified as held for sale as a whole in the separate financial statements, and all assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

When the non-current assets or disposal groups held for sale are initially measured or remeasured at the balance sheet date, the excess of the carrying amount over the net amount of the fair value less selling expenses is recognised as asset impairment loss. For the amount of impairment loss recognised on disposal groups held for sale, the carrying amount of the goodwill of the disposal group shall be offset against first, and then be offset against the carrying amount of non-current assets according to the proportion of the carrying amount of non-current assets.

X Financial Report

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

18. Assets held for sale (Cont'd)

If the net amount of the fair value of the non-current assets or disposal groups held for sale less the selling expenses increases on the subsequent balance sheet date, the amount previously written down shall be recovered and reversed in the amount of asset impairment loss recognised after be classified as held for sale, and the reversed amount shall be included in the current profit and loss. The carrying amount of goodwill written off shall not be reversed.

Non-current assets held for sale and assets in disposal group held for sale are not depreciated or amortised. Interest and other expenses of a disposal group classified as held for sale continue to be recognised. For all or part of an investment in an associate or a joint venture that is classified as held for sale, the part of being classified as held for sale shall cease to be accounted for using the equity method, while any retained portion (not classified as held for sale) shall continue to be accounted for using the equity method; The Group ceases to use the equity method from the date when the Group ceases to have significant influence over an associate or a joint venture.

If a non-current asset or disposal group is classified as held for sale but subsequently no longer meets the criteria for being classified as held for sale, the Group shall cease to classify it as held for sale and measure it at the lower of:

- (1) the carrying amount of the asset or disposal group before being classified as held for sale is adjusted by the depreciation, amortisation or impairment that would have been recognised if the asset or disposal group had not been classified as held for sale;
- (2) recoverable amount.

19. Long-term receivables

The Company measures the impairment loss of long-term receivables at an amount equal to the ECLs in the next 12 months or the lifetime ECLs, depending on whether its credit risk has significantly increased upon initial recognition. Other than the long-term receivables assessed individually for credit risks, long-term receivables are classified into different groups based on their credit risk characteristics:

| Item | Basis for determining the groups |
|--|---|
| Long-term receivables not yet past due | The group is comprised of long-term receivables not yet past due with normal exposures. |
| Long-term receivables overdue | This group is comprised of long-term receivables with higher past due exposures. |

X Financial Report

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

20. Long-term equity investments

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

(1) Determination of initial investment cost

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

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

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

Investments in subsidiaries shall be accounted for using the cost method. Except for the investments which meet the conditions of holding for sale, investments in associates and joint ventures shall be accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, the cash dividends or profits declared by the investees for distribution shall be recognised as investment gains and included in profit or loss for the current period, except the case of receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration.

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 Company'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 Company 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.

X Financial Report

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

20. Long-term equity investments (Cont'd)

(2) Subsequent measurement and method for profit or loss recognition (Cont'd)

For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the initial investment cost under the equity method shall be the aggregate of fair value of previously held equity investment and additional investment cost on the date of transfer. 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.

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.

X Financial Report

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

20. Long-term equity investments (Cont'd)

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

Common control is the contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimous 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 cannot pose significant influence in this situation.

(4) Held-for-sale equity investments

The equity investments to associates or joint ventures are all or partially classified as assets held for sale.

The remaining equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investments to associates or joint ventures already classified as held for sale no longer meet the conditions of assets held for sale shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

(5) 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. 28.

21. 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. 28.

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.

X Financial Report

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

22. Fixed assets

(1) Conditions for recognition

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

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

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

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

(2) Depreciation method

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

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

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

(3) The impairment test method and impairment provision method of the fixed assets are set out in Note V. 28.

(4) The Company will re-check 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.

X Financial Report

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

23. 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. 28.

24. 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.

X Financial Report

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

25. 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. Bearer biological assets are initially measured at cost. The cost of a planted or propagated bearer biological asset includes the expenses directly attributable to the asset and necessarily incurred before the asset is ready for its intended production and operation, including the borrowing costs that are eligible for capitalisation.

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

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.

26. Right-of-use assets

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.

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.

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

X Financial Report

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

27. Intangible assets

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

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

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

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

The 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. 28.

28. Asset impairment

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

The 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.

X Financial Report

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

28. 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 Group first tests the asset group or set of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognises the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its carrying amount with its recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised for goodwill.

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

29. 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.

30. 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.

X Financial Report

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

31. Employee benefits

(1) Scope of employee benefits

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

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

(2) Short-term staff remuneration

Employee wages or salaries actually incurred, bonuses, and social insurance contributions such as medical insurance, work injury insurance, maternity insurance, and housing fund, contributed at the applicable benchmarks and rates, are recognised by the Company as a liability during the accounting period when the employees render services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Where the payment of liability is expected not to be fully settled within 12 months after the end of the annual reporting period in which the employees render the related services, and the financial impact would be material, these liabilities are measured at their discounted values.

(3) Post-employment benefits

Post-employment benefit plans include defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate fund and the Group has no further obligations for payment. A defined benefit plan is a postemployment 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 when an employee renders services, the amount payable calculated according to the defined contribution plan is recognised as a liability and included in the profit or loss for the current period or the cost of relevant assets.

(4) Termination benefits

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

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

X Financial Report

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

32. Lease liabilities

(1) Initial measurement

At the commencement date of a lease term, the Company shall initially measure the lease liabilities at the present value of the lease payments that are not paid at that date.

1) *Lease payments*

The lease payments mean the payments made by the Company to a lessor for the right to use the leased assets during the lease term, including: ① fixed payments and in-substance fixed payments, less any lease incentives receivable; ② variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date of the lease term; ③ the exercise price of a purchase option if the Company is reasonably certain to exercise that option; ④ payments for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease; ⑤ amounts expected to be payable by the Company under residual value guarantees.

2) *Discount rate*

The present value of the lease payments shall be calculated using the Company's incremental borrowing rate.

(2) Subsequent measurement

After the commencement date of a lease term, the Company shall subsequently measure the lease liabilities by: ① increasing the carrying amount to reflect interest on the lease liabilities; ② reducing the carrying amount to reflect the lease payments made; ③ remeasuring the carrying amount to reflect the change in the lease payments due to any reassessment or lease modifications.

The interest expense on the lease liabilities in 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, except for the interest expense to be capitalised. The periodic rate of interest is the discount rate used by the Company in the initial measurement of lease liabilities, or the revised discount rate used by the Company when the Company has to remeasure the lease liabilities based on a revised discount rate due to a change in the lease payments or lease modifications.

(3) Remeasurement

After the commencement date of a lease term, the Company shall remeasure the lease liabilities using the changes to the lease payments and the revised discount rate, and adjust the carrying amount of the right-of-use assets accordingly in the circumstances set out below. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of the lease liabilities, the Company shall recognise any remaining amount of the remeasurement in profit or loss: ① there is any change in the amount of in-substance fixed payments; ② there is any change in the amounts expected to be payable under a residual value guarantee; ③ there is any change in the index or rate used to determine the lease payments; ④ there is any change in the assessment results in the purchase option; and ⑤ there is any change in the assessment results or the exercise of the extension option or termination option.

X Financial Report

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

33. 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.

34. Share-based payments

(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.

X Financial Report

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

34. Share-based payments (Cont'd)

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

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

Cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and recognised based on the shares or other equity instruments undertaken by the 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, within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities shall be remeasured and the changes will be included in the profit or loss for the current period.

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

X Financial Report

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

35. Preference shares, Perpetual Bonds and other financial instruments

(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 preference shares, Perpetual Bonds and other financial instruments

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.

36. 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.

X Financial Report

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

36. 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.
- 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). 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 rental income on a straight-line basis over the lease term.

X Financial Report

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

37. 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; 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 relying on the essence of economic business; otherwise, recognised in non-operating income or non-operating expenses.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment shall be off set against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; otherwise, the repayment shall be recognised immediately in profit or loss for the current period.

For the policy preferential interest subsidy, if it is provided by the financial authority through banks, it is recognised at the amount of borrowings actually received, and the borrowings costs are calculated based on the principal of the borrowings and the policy preferential interest rate; if it is provided by the financial authority directly, the corresponding interest will be used to offset the relevant borrowing expenses.

X Financial Report

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

38. 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.

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.

X Financial Report

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

39. 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. 26.

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 charged to profit or loss in the period in which they actually arise. The Company calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and is included in the current profit and loss. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss when incurred.

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

X Financial Report

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

39. Lease (Cont'd)

(2) The Company as lessee (Cont'd)

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, re-determines 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.

X Financial Report

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

39. Lease (Cont'd)

(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.

X Financial Report

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

39. Lease (Cont'd)

(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.

40. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not Applicable

(2) Changes in significant accounting estimates

Applicable Not Applicable

X Financial Report

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

41. Others

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement.

The Group measures the relevant assets or liabilities at fair value, assuming that the orderly transaction of selling the assets or transferring the liabilities is conducted in the main market of the relevant assets or liabilities; in the absence of the main market, the Group assumes that the transaction is conducted in the most advantageous market for the relevant asset or liability. The main (or the most advantageous) market must be accessible to by the Group on the measurement date. The Group uses assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For financial assets or financial liabilities exist in an active market, fair value is determined based on the quoted price in such market. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, and gives priority to relevant observable inputs. Unobservable inputs are used only when relevant observable inputs are not accessible or the access to which is impracticable.

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group reassess them at each balance sheet date to determine whether transfers have occurred between levels in the hierarchy.

X Financial Report

VI. Taxation

1. Main tax types and tax rates

| Tax type | Tax Base | Tax rate (%) |
|--|----------------------------------|--------------|
| Value added tax (VAT) | Taxable income | 13/9/6 |
| Property tax | Rental income and property price | 12/1.2 |
| 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 |
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd. | 15 |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 15 |
| Kunshan Tuoan Plastic Products Co., Ltd. | 15 |
| Shouguang Shun Da Customs Declaration Co., Ltd. | 20 |
| Shouguang Chenming Papermaking Machine Co., Ltd. | 20 |
| Shouguang Wei Yuan Logistics Company Limited | 20 |
| Jiangxi Chenming Tea Co., Ltd. | 20 |
| Zhanjiang Chenming Arboriculture Development Co., Ltd. | Exempt from EIT |
| Nanchang Chenming Arboriculture Development Co., Ltd. | Exempt from EIT |
| Chenming Arboriculture Co., Ltd. | Exempt from EIT |
| Yangjiang Chenming Arboriculture Development Co., Ltd. | Exempt from EIT |

2. Tax incentives

(1) Enterprise income tax

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

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

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201922000658 on 2 September 2019. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jilin Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

X Financial Report

VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise income tax (Cont'd)

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201936002184 on 3 December 2019. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jiangxi Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the 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.

Wuhan Chenming Hanyang Paper Holdings Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202042001502 on 1 December 2020. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Wuhan Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2020 to 2022.

Huanggang Chenming Pulp & Paper Co., Ltd., a subsidiary of the 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 Tuonan Plastic Products Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR202032004526 on 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 Tuonan 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.

Shouguang Shun Da Customs Declaration Co., Ltd., Shouguang Chenming Papermaking Machine Co., Ltd., Shouguang Wei Yuan Logistics Company Limited, and Jiangxi Chenming Tea Co., Ltd., subsidiaries of the Company, is a small and micro enterprise. Pursuant to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13), the annual taxable income of a small low-profit enterprise that is 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 50%, with the applicable enterprise income tax rate of 20%.

X Financial Report

VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise income tax (Cont'd)

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 Notice of the Ministry of Finance and the State Taxation Administration on Issues Concerning the Implementation of the Catalogue of Preferential Tax Treatments for Comprehensive Resource Utilisation Enterprises (Cai Shui [2008] No. 47): since 1 January 2008, for enterprises that derive income from the products listed in the Catalogue which are in line with related national or industry standards by making use of the resources listed in the Catalogue as the main raw materials, taxable income will be calculated at a reduced rate of 90% of the total revenue for that year. To be entitled to the above tax benefits, the ratio of the resources listed in the Catalogue and the raw materials used for the product shall be consistent with the required technical standards stated in the Catalogue.

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

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

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Guangdong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2022.

X Financial Report

VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

| Item | Closing balance | Opening balance |
|--|--------------------------|--------------------------|
| Treasury cash | 3,313,516.53 | 2,926,080.68 |
| Bank deposit | 3,139,292,575.43 | 3,166,431,843.70 |
| Other monetary funds | 11,816,075,269.95 | 10,950,425,015.28 |
| Total | 14,958,681,361.91 | 14,119,782,939.66 |
| Of which: Total deposits in overseas banks | 505,963,325.58 | 462,952,909.20 |
| Total restricted amount due to mortgages, pledges or freezes | 11,749,299,176.80 | 10,756,936,714.59 |

Other explanations:

- ① Other monetary funds of RMB8,944,327,842.85 were the guarantee deposit for the application for bank acceptance bills with the banks by the Company.
- ② Other monetary funds of RMB2,240,431,110.52 were the guarantee deposit for the application for letter of credit with the banks by the Company.
- ③ Other monetary funds of RMB219,580,223.43 were the guarantee deposit for the application for bank guarantees with the banks by the Company.
- ④ Other monetary funds of RMB184,100,000.00 were the guarantee deposit for the application for bank loans with the banks by the Company.
- ⑤ Other monetary funds of RMB160,860,000.00 were the Company's statutory reserve deposits at the banks.
- ⑥ Other monetary funds included interest receivable of RMB66,776,093.15.

2. Financial assets held for trading

Unit: RMB

| Item | Closing balance | Opening balance |
|--|----------------------|-----------------------|
| Financial assets measured at fair value through profit or loss | 51,033,051.57 | 110,886,182.88 |
| Of which: | | |
| Equity instrument investments | 51,033,051.57 | 110,886,182.88 |
| Total | 51,033,051.57 | 110,886,182.88 |

Other explanation: Financial assets held for trading were shares of China Bohai Bank subscribed by the Group.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

3. Bill receivable

Unit: RMB

| Bill type | Book balance | Closing balance | | Book balance | Opening balance | |
|-----------------------------|-----------------------|--------------------|-----------------------|--------------|--------------------|------------|
| | | Bad debt provision | Book value | | Bad debt provision | Book value |
| Commercial acceptance bills | 742,590,000.00 | | 742,590,000.00 | | | |
| Total | 742,590,000.00 | | 742,590,000.00 | | | |

4. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

| Category | Book balance | | Closing balance | | Carrying amount |
|--|-------------------------|----------------|---------------------------|--------------|-------------------------|
| | Amount | Percentage (%) | Bad debt provision Amount | ECL rate (%) | |
| Accounts receivable assessed individually for impairment | 208,785,301.74 | 5.53 | 208,785,301.74 | 100.00 | 0.00 |
| Accounts receivable assessed collectively for impairment | 3,565,457,344.06 | 94.47 | 220,583,318.92 | 6.19 | 3,344,874,025.14 |
| Of which: | | | | | |
| Accounts receivable from related party customers | 7,158,599.98 | 0.19 | 49,344.50 | 0.69 | 7,109,255.48 |
| Accounts receivable from non-related party customers | 2,344,160,892.81 | 62.11 | 82,782,886.75 | 3.53 | 2,261,378,006.06 |
| Factoring receivables | 1,214,137,851.27 | 32.17 | 137,751,087.67 | 11.35 | 1,076,386,763.60 |
| Total | 3,774,242,645.80 | 100.00 | 429,368,620.66 | 11.38 | 3,344,874,025.14 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

4. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Continued:

Unit: RMB

| Category | Book balance | | Opening balance | | Carrying amount |
|--|-------------------------|----------------|-----------------------|---------------------------------|-------------------------|
| | Amount | Percentage (%) | Amount | Bad debt provision ECL rate (%) | |
| Accounts receivable assessed individually for impairment | 224,831,742.24 | 7.24 | 224,831,742.24 | 100.00 | 0.00 |
| Accounts receivable assessed collectively for impairment | 2,880,986,860.24 | 92.76 | 224,469,709.78 | 7.79 | 2,656,517,150.46 |
| Of which: | | | | | |
| Accounts receivable from related party customers | 109,385.42 | 0.004 | | | 109,385.42 |
| Accounts receivable from non-related party customers | 1,855,021,764.82 | 59.73 | 84,870,622.11 | 4.58 | 1,770,151,142.71 |
| Factoring receivables | 1,025,855,710.00 | 33.03 | 139,599,087.67 | 13.61 | 886,256,622.33 |
| Total | 3,105,818,602.48 | 100.00 | 449,301,452.02 | 14.47 | 2,656,517,150.46 |

Items assessed individually for bad debt provision:

Unit: RMB

| Name | Book balance | Closing balance | | Provision reason |
|---|-----------------------|-----------------------|----------------------|------------------|
| | | Bad debt provision | Provision percentage | |
| Hengfeng Hongyuan Real Estate Holdings Co., Ltd. | 45,493,811.40 | 45,493,811.40 | 100.00% | Long outstanding |
| Ningxia Lingwu Baota Dagu Storage and Transportation Co., Ltd. | 27,600,000.00 | 27,600,000.00 | 100.00% | Long outstanding |
| Foshan Shunde Xingchen Paper Co., Ltd. | 26,236,528.70 | 26,236,528.70 | 100.00% | Long outstanding |
| Zhengzhou Hongyang Paper Products Co., Ltd. | 15,293,432.93 | 15,293,432.93 | 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 |
| 92 companies including Shandong Yiming New Material Technology Corp Co., Ltd. | 65,951,558.22 | 65,951,558.22 | 100.00% | Long outstanding |
| Total | 208,785,301.74 | 208,785,301.74 | | |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

4. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Items assessed collectively for impairment:

Accounts receivable with collective provision for bad debts based on receivables from related parties

Unit: RMB

| Name | Book balance | Closing balance Bad debt provision | Provision percentage (%) |
|---------------|--------------|--|-----------------------------|
| Within 1 year | 7,158,599.98 | 49,344.50 | 0.69 |
| Total | 7,158,599.98 | 49,344.50 | |

Accounts receivable with collective provision for bad debts based on receivables from non-related party customers

Unit: RMB

| Type | Accounts receivable | Closing balance Bad debt provision | Provision percentage (%) |
|---------------|------------------------|--|-----------------------------|
| Within 1 year | 2,148,202,427.14 | 14,981,402.81 | 0.70 |
| 1 to 2 years | 92,569,331.04 | 12,882,446.17 | 13.92 |
| 2 to 3 years | 6,643,408.49 | 1,634,371.19 | 24.60 |
| Over 3 years | 96,745,726.14 | 53,284,666.58 | 55.08 |
| Total | 2,344,160,892.81 | 82,782,886.75 | 3.53 |

Accounts receivable with collective provision for bad debts based on factoring receivables

Unit: RMB

| Name | Book balance | Closing balance Bad debt provision | Book balance |
|---------------|------------------|---------------------------------------|--------------|
| Within 1 year | 1,008,798,807.91 | 98,200,166.66 | 9.73% |
| 1 to 2 years | 148,138,960.00 | 23,565,896.00 | 15.91% |
| 2 to 3 years | 33,486,237.90 | 8,748,229.36 | 26.12% |
| Over 3 years | 23,713,845.46 | 7,236,795.65 | 30.52% |
| Total | 1,214,137,851.27 | 137,751,087.67 | 11.35% |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

4. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Disclosure by ageing

Unit: RMB

| Ageing | Closing balance |
|----------------------------------|------------------|
| Within 1 year (including 1 year) | 3,164,159,835.03 |
| 1 to 2 years | 240,708,291.04 |
| 2 to 3 years | 40,129,646.39 |
| Over 3 years | 329,244,873.34 |
| Subtotal | 3,774,242,645.80 |
| Bad debt provision | 429,368,620.66 |
| Total | 3,344,874,025.14 |

The 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 | Write-off | Others | |
| Accounts receivable with provision for bad debts | 449,301,452.02 | 24,272,047.17 | 44,204,878.53 | | | 429,368,620.66 |
| Total | 449,301,452.02 | 24,272,047.17 | 44,204,878.53 | | | 429,368,620.66 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

4. Accounts receivable (Cont'd)

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

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the period was RMB993,954,677.24, which accounted for 26.34% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB84,278,220.02.

Unit: RMB

| Name of entity | Closing balance of accounts receivable | Percentage to closing balance of other receivables | Closing balance of bad debt provision |
|----------------|--|--|---------------------------------------|
| Customer I | 362,603,555.55 | 9.61 | 36,260,355.56 |
| Customer II | 216,616,666.63 | 5.74 | 21,661,666.66 |
| Customer III | 162,551,050.61 | 4.31 | 1,137,857.35 |
| Customer IV | 148,138,960.00 | 3.92 | 14,813,896.00 |
| Customer V | 104,044,444.45 | 2.76 | 10,404,444.45 |
| Total | 993,954,677.24 | 26.34 | 84,278,220.02 |

5. Accounts receivable financing

Unit: RMB

| Item | Closing balance | Opening balance |
|------------------|-----------------|-----------------|
| Bills receivable | 912,727,537.75 | 435,459,341.76 |
| Total | 912,727,537.75 | 435,459,341.76 |

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

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

6. Prepayments

(1) Disclosure of prepayments stated according to ageing analysis

Unit: RMB

| Ageing | Closing balance | | Opening balance | |
|---------------|-------------------------|----------------|-----------------------|----------------|
| | Amount | Percentage | Amount | Percentage |
| Within 1 year | 930,868,811.43 | 90.42% | 803,771,958.81 | 90.16% |
| 1 to 2 years | 98,594,004.20 | 9.58% | 87,713,119.65 | 9.84% |
| Total | 1,029,462,815.63 | 100.00% | 891,485,078.46 | 100.00% |

(2) Top five prepayments according to closing balance of prepaid units

The total amount of the Company's top five prepayments according to closing balance of prepaid units for the period amounted to RMB414,189,015.01, which accounted for 40.24% of the closing balance of the total accounts payable.

Unit: RMB

| Name of entity | Closing balance of prepayments | Percentage to the closing balance of the total prepayments |
|----------------|--------------------------------|--|
| Customer I | 135,575,807.48 | 13.17% |
| Customer II | 81,192,939.57 | 7.89% |
| Customer III | 69,416,290.74 | 6.74% |
| Customer IV | 66,168,628.32 | 6.43% |
| Customer V | 61,835,348.90 | 6.01% |
| Total | 414,189,015.01 | 40.24% |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

7. Other receivables

Unit: RMB

| Item | Closing balance | Opening balance |
|----------------------|-------------------------|-------------------------|
| Dividend receivables | 3,501,220.33 | |
| Other receivables | 2,207,843,920.89 | 2,252,864,083.00 |
| Total | 2,211,345,141.22 | 2,252,864,083.00 |

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

| Item (or investee) | Closing balance | Opening balance |
|--------------------|---------------------|-----------------|
| China Bohai Bank | 3,501,220.33 | |
| Total | 3,501,220.33 | |

(2) Other receivables

1) Other receivables by nature

Unit: RMB

| Nature | Closing book balance | Opening book balance |
|------------------------|-------------------------|-------------------------|
| Open credit | 2,705,407,288.82 | 2,692,253,554.58 |
| Guarantee deposit | 11,961,247.35 | 5,125,826.96 |
| Reserve and borrowings | 16,402,849.49 | 11,980,522.29 |
| Others | 15,821,988.16 | 80,560,739.46 |
| Total | 2,749,593,373.82 | 2,789,920,643.29 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

7. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision

Unit: RMB

| Bad debt provision | Stage 1 ECLs for the next 12 months | Stage 2 Lifetime ECLs (not credit- impaired) | Stage 3 Lifetime ECLs (credit- impaired) | Total |
|--|--|---|---|----------------|
| Balance as at 1 January 2022 | 65,083,288.44 | | 471,973,271.85 | 537,056,560.29 |
| Balance as at 1 January 2022 for the period | | | | |
| Provision during the period | 10,373,371.22 | | 4,214,604.41 | 14,587,975.63 |
| Reversal during the period | 7,277,542.09 | | 2,244,712.90 | 9,522,254.99 |
| Transfer during the period | | | | |
| Write-off during the period | | | 372,828.00 | 372,828.00 |
| Other changes | | | | |
| Balance as at 30 June 2022 | 68,179,117.57 | | 473,570,335.36 | 541,749,452.93 |

Disclosed by ageing

Unit: RMB

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

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

7. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

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

Bad debt provision for the period:

Unit: RMB

| Category | Opening balance | Provision | Changes in the period | | | Closing balance |
|--|-----------------------|----------------------|-----------------------|-------------------|--------|-----------------------|
| | | | Recovery or reversal | Write-off | Others | |
| Bad debt provision for other receivables | 537,056,560.29 | 14,587,975.63 | 9,522,254.99 | 372,828.00 | | 541,749,452.93 |
| Total | 537,056,560.29 | 14,587,975.63 | 9,522,254.99 | 372,828.00 | | 541,749,452.93 |

4) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five other receivables based on closing balance of debtors for the period amounted to RMB2,048,197,406.04 in total, accounting for 74.49% of the total closing balance of other receivables. The closing balance of the corresponding bad debt provision amounted to RMB349,073,379.24 in total.

Unit: RMB

| Name of entity | Nature | Closing balance | Maturity | Percentage to closing balance of other receivables | Closing balance of bad debt provision |
|----------------|-------------|-------------------------|-----------------------------|--|---------------------------------------|
| Customer I | Open credit | 684,000,000.00 | 1-2 years | 24.88% | 102,600,000.00 |
| Customer II | Open credit | 533,800,000.00 | 1-2 years and 2-3 years | 19.41% | 53,380,000.00 |
| Customer III | Open credit | 467,402,316.85 | 2-3 years | 17.00% | 121,524,602.38 |
| Customer IV | Open credit | 219,054,783.56 | 2-3 years | 7.97% | 21,905,478.36 |
| Customer V | Open credit | 143,940,305.63 | Within 1 year and 1-2 years | 5.23% | 49,663,298.50 |
| Total | | 2,048,197,406.04 | | 74.49% | 349,073,379.24 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

8. Inventories

Whether the Company needs to comply with the disclosure requirements for real estate industries

No

(1) Categories of inventories

Unit: RMB

| Item | Book balance | Closing balance | | Book balance | Opening balance | |
|------------------------------|-------------------------|---|-------------------------|-------------------------|---|-------------------------|
| | | Impairment provision for inventories or performance costs | Carrying amount | | Impairment provision for inventories or performance costs | Carrying amount |
| Raw materials | 2,230,492,487.71 | 22,724,323.23 | 2,207,768,164.48 | 1,734,387,984.21 | 24,660,967.32 | 1,709,727,016.89 |
| Work-in-process products | 256,923,076.05 | | 256,923,076.05 | 148,489,098.95 | | 148,489,098.95 |
| Goods in stock | 1,428,278,746.93 | 4,941,686.65 | 1,423,337,060.28 | 1,910,051,642.16 | 4,941,686.65 | 1,905,109,955.51 |
| Consumable biological assets | 1,500,540,144.47 | | 1,500,540,144.47 | 1,519,305,850.77 | | 1,519,305,850.77 |
| Total | 5,416,234,455.16 | 27,666,009.88 | 5,388,568,445.28 | 5,312,234,576.09 | 29,602,653.97 | 5,282,631,922.12 |

(2) 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 | 24,660,967.32 | | | 1,936,644.09 | | 22,724,323.23 |
| Goods in stock | 4,941,686.65 | | | | | 4,941,686.65 |
| Total | 29,602,653.97 | | | 1,936,644.09 | | 27,666,009.88 |

Basis for recognition of net realisable value: Ageing spare part inventories were provided for full impairment, and household paper with negative gross profit and ageing household paper inventories were provided for partial impairment.

Reversal or transfer of impairment provision for inventories during the period was due to: Transfer of impaired spare parts sold to impairment provision for inventories during the period.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

9. Non-current assets due within one year

Unit: RMB

| Item | Closing balance | Opening balance |
|---|------------------|------------------|
| Long-term receivables due within one year | 5,216,044,182.27 | 5,216,934,172.61 |
| Total | 5,216,044,182.27 | 5,216,934,172.61 |

Notes: ① Long-term receivables due within one year amounting to RMB5,190,934,992.72 (amount for the prior year: RMB5,188,103,553.61) were financial lease receivables;

② Long-term receivables due within one year amounting to RMB25,109,189.55 (amount for the prior year: RMB28,830,619.00) were deposits receivable.

10. Other current assets

Unit: RMB

| Item | Closing balance | Opening balance |
|---|------------------|------------------|
| Prepaid expenses | 560,638,082.42 | 195,453,994.69 |
| Factoring receivables due within one year | 319,166,361.74 | 303,281,361.74 |
| Receivables under financial lease due within one year | 301,173,453.77 | 388,156,667.35 |
| Prepaid tax | 131,125,749.80 | 132,297,740.90 |
| Input tax amount to be deducted | 36,815,815.92 | 807,004,437.68 |
| Other payments | 66,667,806.98 | 77,735,290.49 |
| Total | 1,415,587,270.63 | 1,903,929,492.85 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

11. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

| Item | Closing balance | | Carrying amount | Opening balance | | Carrying amount | Discount rate range |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------|
| | Carrying balance | Bad debt provision | | Carrying balance | Bad debt provision | | |
| Finance lease payments | 8,305,095,187.79 | 1,277,639,823.58 | 7,027,455,364.21 | 8,344,107,765.88 | 1,211,551,549.72 | 7,132,556,216.16 | 4%-12% |
| Less: Unrealised financing income | 386,924,782.60 | | 386,924,782.60 | 366,945,292.53 | | 366,945,292.53 | |
| Deposit for equipment lease financing | 339,646,696.64 | | 339,646,696.64 | 272,996,696.64 | | 272,996,696.64 | |
| Less: Unrealised financing income | 36,559,819.83 | | 36,559,819.83 | 32,913,472.31 | | 32,913,472.31 | |
| Subtotal | 8,221,257,282.00 | 1,277,639,823.58 | 6,943,617,458.42 | 8,217,245,697.68 | 1,211,551,549.72 | 7,005,694,147.96 | |
| Less: long-term receivables due within one year | 6,322,849,988.47 | 1,106,805,806.20 | 5,216,044,182.27 | 6,244,230,790.74 | 1,027,296,618.13 | 5,216,934,172.61 | |
| Total | 1,898,407,293.53 | 170,834,017.38 | 1,727,573,276.15 | 1,973,014,906.94 | 184,254,931.59 | 1,788,759,975.35 | |

Particulars of bad debt impairment provision

Unit: RMB

| Bad debt provision | Stage 1 ECLs for the next 12 months | Stage 2 Lifetime ECLs (not credit- impaired) | Stage 3 Lifetime ECLs (credit- impaired) | Total |
|--|--|---|---|----------------|
| Balance as at 1 January 2022 | 453,675.00 | | 183,801,256.59 | 184,254,931.59 |
| Balance as at 1 January 2022 during the period | | | | |
| Provisions during the period | | | | |
| Other changes | | | -13,420,914.21 | -13,420,914.21 |
| Balance as at 30 June 2022 | 453,675.00 | | 170,380,342.38 | 170,834,017.38 |

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

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

12. 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 changes in equity interest | Distribution of cash dividend or profit declared | Impairment provision | | |
| I. Joint ventures | | | | | | | | | | |
| Shouguang Chenming Huisen New-style Construction Materials Co., Ltd. | 6,902,869.87 | | | -215,525.03 | | | 1,000,000.00 | | | 5,687,344.84 |
| Weifang Sime Darby West Port Co., Ltd. | 77,370,998.75 | | | -3,008,474.82 | | | | | | 74,362,523.93 |
| Shouguang Meite Environmental Technology Co., Ltd. | 14,616,124.71 | | | -2,841,259.42 | | | | | | 11,774,865.29 |
| Weifang Xingxing United Chemical Co., Ltd. | 84,623,787.74 | | | 7,250,597.38 | | | | | | 91,874,385.12 |
| Subtotal | 183,513,781.07 | | | 1,185,338.11 | | | 1,000,000.00 | | | 183,699,119.18 |
| II. Associates | | | | | | | | | | |
| Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership) | 36,967,896.31 | | | -2,003,052.15 | | | | | | 34,964,844.16 |
| Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership) | 197,297,485.59 | | | -3,217.73 | | | | | | 197,294,267.86 |
| Jiangxi Chenming Port Co., Ltd. | 554,582.45 | | | -61,479.47 | | | | | | 493,102.98 |
| Goldtrust Futures Co., Ltd. | 185,452,462.50 | | | -2,317,934.80 | | | | | | 183,134,527.70 |
| Chenming (Qingdao) Asset Management Co., Ltd. | 6,933,668.14 | | | -107,419.58 | | | 940,000.00 | | | 5,886,248.56 |
| Guangdong Nanyue Bank Co., Ltd. | 1,255,867,809.29 | | | 29,924,322.20 | 4,743,150.54 | -55,547,014.21 | | 83,754,093.05 | | 1,318,742,360.87 |
| Subtotal | 1,683,073,904.28 | | | 25,431,218.47 | 4,743,150.54 | -55,547,014.21 | 940,000.00 | 83,754,093.05 | | 1,740,515,352.13 |
| Total | 1,866,587,685.35 | | | 26,616,556.58 | 4,743,150.54 | -55,547,014.21 | 1,940,000.00 | 83,754,093.05 | | 1,924,214,471.31 |

Explanation: For other changes of Guangdong Nanyue Bank Co., Ltd., please refer to VII. 46. Retained profit.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

13. Other non-current financial assets

Unit: RMB

| Item | Closing balance | Opening balance |
|----------------------------------|-----------------------|-----------------------|
| Investment in debt instruments | 400,000,000.00 | 400,000,000.00 |
| Investment in equity instruments | 119,927,003.25 | 119,927,003.25 |
| Total | 519,927,003.25 | 519,927,003.25 |

14. Investment property

(1) Investment property under the cost method

Applicable Not applicable

Unit: RMB

| Item | Buildings and structures | Total |
|---|--------------------------|------------------|
| I. Original carrying value | | |
| 1. Opening balance | 7,196,809,856.62 | 7,196,809,856.62 |
| 2. Increase during the period | | |
| 3. Decrease during the period | 34,204,125.58 | 34,204,125.58 |
| (1) Disposal | 34,204,125.58 | 34,204,125.58 |
| 4. Closing balance | 7,162,605,731.04 | 7,162,605,731.04 |
| II. Accumulated depreciation and accumulated amortisation | | |
| 1. Opening balance | 723,271,424.71 | 723,271,424.71 |
| 2. Increase during the period | 97,852,182.59 | 97,852,182.59 |
| (1) Provision or amortisation | 97,852,182.59 | 97,852,182.59 |
| 3. Decrease during the period | 16,514,383.58 | 16,514,383.58 |
| (1) Disposal | 16,514,383.58 | 16,514,383.58 |
| 4. Closing balance | 804,609,223.72 | 804,609,223.72 |
| III. Impairment provision | | |
| IV. Carrying amount | | |
| 1. Closing carrying amount | 6,357,996,507.32 | 6,357,996,507.32 |
| 2. Opening carrying amount | 6,473,538,431.91 | 6,473,538,431.91 |

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 Financial Leasing 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 Financial Leasing Co., Ltd., a subsidiary of the Company, mainly used for external rental purposes.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

14. Investment property (Cont'd)

(2) Investment property under the fair value method

Applicable Not applicable

15. Fixed assets

Unit: RMB

| Item | Closing balance | Opening balance |
|--------------------------|--------------------------|--------------------------|
| Fixed assets | 34,234,454,423.74 | 35,653,492,676.15 |
| Disposal of fixed assets | 156,159,044.44 | |
| Total | 34,390,613,468.18 | 35,653,492,676.15 |

(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 | 10,673,297,551.11 | 43,798,170,683.63 | 296,201,440.65 | 457,044,021.47 | 55,224,713,696.86 |
| 2. Increase during the period | 13,020,952.59 | 199,719,424.32 | 4,390,603.45 | 2,238,220.64 | 219,369,201.00 |
| (1) Acquisition | 10,631,731.64 | 182,387,984.58 | 4,390,603.45 | 2,238,220.64 | 199,648,540.31 |
| (2) Transferred from construction in progress | 2,389,220.95 | 17,331,439.74 | | | 19,720,660.69 |
| 3. Decrease during the period | 285,863,638.92 | 976,732,568.64 | 13,779,612.55 | 59,767,224.05 | 1,336,143,044.16 |
| (1) Disposal or retirement | 285,863,638.92 | 103,807,390.96 | 6,949,954.65 | 5,394,800.07 | 402,015,784.60 |
| (2) Transfer to construction in progress | | 872,925,177.68 | 6,829,657.90 | 54,372,423.98 | 934,127,259.56 |
| 4. Closing balance | 10,400,454,864.78 | 43,021,157,539.31 | 286,812,431.55 | 399,515,018.06 | 54,107,939,853.70 |
| II. Accumulated depreciation | | | | | |
| 1. Opening balance | 2,302,130,749.09 | 16,572,843,548.56 | 190,913,517.71 | 300,377,759.61 | 19,366,265,574.97 |
| 2. Increase during the period | 139,516,595.65 | 882,260,896.51 | 12,239,386.69 | 6,311,342.20 | 1,040,328,221.05 |
| (1) Provision | 139,516,595.65 | 882,260,896.51 | 12,239,386.69 | 6,311,342.20 | 1,040,328,221.05 |
| 3. Decrease during the period | 127,122,561.19 | 546,256,740.86 | 12,042,168.41 | 52,642,341.34 | 738,063,811.80 |
| (1) Disposal or retirement | 127,122,561.19 | 56,609,567.13 | 6,206,488.67 | 4,937,781.19 | 194,876,398.18 |
| (2) Transfer to construction in progress | | 489,647,173.73 | 5,835,679.74 | 47,704,560.15 | 543,187,413.62 |
| 4. Closing balance | 2,314,524,783.55 | 16,908,847,704.21 | 191,110,735.99 | 254,046,760.47 | 19,668,529,984.22 |
| III. Impairment provision | | | | | |
| 1. Opening balance | 27,808,852.79 | 169,697,469.90 | 13,889.13 | 7,435,233.92 | 204,955,445.74 |
| 2. Increase during the period | | | | | |
| 3. Decrease during the period | | | | | |
| 4. Closing balance | 27,808,852.79 | 169,697,469.90 | 13,889.13 | 7,435,233.92 | 204,955,445.74 |
| IV. Carrying amount | | | | | |
| 1. Closing carrying amount | 8,058,121,228.44 | 25,942,612,365.20 | 95,687,806.43 | 138,033,023.67 | 34,234,454,423.74 |
| 2. Opening carrying amount | 8,343,357,949.23 | 27,055,629,665.17 | 105,274,033.81 | 149,231,027.94 | 35,653,492,676.15 |

Other explanation: The fixed assets transferred to construction in progress during the period were mainly the equipment relocation of Wuhan Chenming.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

15. Fixed assets (Cont'd)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

| Item | Original carrying value | Accumulated depreciation | Impairment provision | Carrying amount | Remark |
|---------------------------------|-------------------------|--------------------------|-----------------------|-----------------------|--------|
| Housing and building structure | 72,585,434.37 | 23,096,137.95 | 3,093,008.64 | 46,396,287.78 | |
| Machinery and equipment | 913,076,851.75 | 545,378,538.71 | 150,706,985.59 | 216,991,327.45 | |
| Electronic equipment and others | 754,860.94 | 704,151.45 | 7,187.27 | 43,522.22 | |
| Total | 986,417,147.06 | 569,178,828.11 | 153,807,181.50 | 263,431,137.45 | |

(3) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

| Item | Carrying amount | Reason for not yet obtaining property right certificates |
|--|------------------|--|
| Housing and building structure (Zhanjiang Chenming Pulp & Paper Co., Ltd.) | 1,053,074,557.83 | Under application |
| Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.) | 644,514,086.42 | Under application |
| Housing and building structure (Shouguang Meilun Paper Co., Ltd.) | 470,055,885.46 | Under application |
| Housing and building structure (Jilin Chenming Paper Co., Ltd.) | 380,384,086.36 | Under application |
| Housing and building structure (Jiangxi Chenming Paper Co., Ltd.) | 202,694,998.89 | Under application |
| Housing and building structure (Shandong Chenming Paper Holdings Limited) | 109,652,457.94 | Under application |

(4) Disposal of fixed assets

Unit: RMB

| Item | Closing balance | Opening balance |
|--------------------------------|-----------------------|-----------------|
| Housing and building structure | 156,159,044.44 | |
| Total | 156,159,044.44 | |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

16. Construction in progress

Unit: RMB

| Item | Closing balance | Opening balance |
|--------------------------|-----------------------|-----------------------|
| Construction in progress | 794,536,482.04 | 189,818,292.48 |
| Materials for project | 7,871,202.97 | 7,931,233.57 |
| Total | 802,407,685.01 | 197,749,526.05 |

(1) Particulars of construction in progress

Unit: RMB

| Item | Closing balance | | | Opening balance | | |
|--|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Carrying balance | Impairment provision | Carrying amount | Carrying balance | Impairment provision | Carrying amount |
| Wuhan relocation project | 331,878,795.25 | | 331,878,795.25 | | | |
| Technological transformation project | 247,802,083.62 | | 247,802,083.62 | 50,534,096.04 | | 50,534,096.04 |
| Fly ash cement ceramsite production project (Shandong Chenming) | 54,246,139.19 | | 54,246,139.19 | 54,246,139.19 | | 54,246,139.19 |
| Relocation of Wuhan household paper project (Phase II) (Meilun) | 74,442,135.96 | | 74,442,135.96 | 28,705,483.25 | | 28,705,483.25 |
| Integrated forestry, pulp and paper project (Huanggang Pulp & Paper) | 27,288,850.20 | | 27,288,850.20 | 16,687,683.29 | | 16,687,683.29 |
| Others | 80,017,149.58 | 21,138,671.76 | 58,878,477.82 | 60,783,562.47 | 21,138,671.76 | 39,644,890.71 |
| Total | 815,675,153.80 | 21,138,671.76 | 794,536,482.04 | 210,956,964.24 | 21,138,671.76 | 189,818,292.48 |

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

Unit: RMB

| Project name | Budget | Opening balance | Increase during the period | Transfer to | | Closing balance | Project investment to budget | Project progress | Accumulated capitalised interest | Of which: | | Sources of fund |
|--|-----------------------|----------------------|----------------------------|--------------------------------|--------------------------|-----------------------|------------------------------|------------------|----------------------------------|---|---|---------------------------------|
| | | | | fixed assets during the period | Others during the period | | | | | Capitalised interest amount during the period | Capitalisation rate of the interest amount for the period | |
| Relocation of Wuhan household paper project (Phase II) (Meilun) | 109,000,000.00 | 28,705,483.25 | 45,736,652.71 | | | 74,442,135.96 | 68.30% | 90.00% | | | | Self-owned funds and borrowings |
| Integrated forestry, pulp and paper project (Huanggang Pulp and Paper) | 70,000,000.00 | 16,687,683.29 | 10,601,166.91 | | | 27,288,850.20 | 95.00% | 99.00% | | | | Self-owned funds |
| Total | 179,000,000.00 | 45,393,166.54 | 56,337,819.62 | | | 101,730,986.16 | | | | | | |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

16. Construction in progress (Cont'd)

(3) Project materials

Unit: RMB

| Item | Closing balance | | Carrying amount | Opening balance | | Carrying amount |
|-------------------|------------------|----------------------|-----------------|------------------|----------------------|-----------------|
| | Carrying balance | Impairment provision | | Carrying balance | Impairment provision | |
| Special materials | 7,871,202.97 | | 7,871,202.97 | 7,931,233.57 | | 7,931,233.57 |
| Total | 7,871,202.97 | | 7,871,202.97 | 7,931,233.57 | | 7,931,233.57 |

17. Bearer biological assets

(1) Bearer biological assets under the cost method

Applicable Not applicable

Unit: RMB

| Item | Tea industries | Total |
|-------------------------------|----------------|---------------|
| I. Original carrying amount: | | |
| 1. Opening balance | | |
| 2. Increase during the period | | |
| (1) Purchase | 10,398,523.90 | 10,398,523.90 |
| 3. Decrease during the period | | |
| 4. Closing balance | 10,398,523.90 | 10,398,523.90 |
| II. Accumulated depreciation | | |
| III. Impairment provision | | |
| IV. Carrying amount | | |
| 1. Closing carrying amount | 10,398,523.90 | 10,398,523.90 |
| 2. Opening carrying amount | | |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

18. Right-of-use assets

Unit: RMB

| Item | Land use rights | Buildings and structures | Total |
|-------------------------------|-----------------|--------------------------|----------------|
| I. Original carrying value | | | |
| 1. Opening balance | 218,097,859.06 | 5,571,378.54 | 223,669,237.60 |
| 2. Increase during the period | | | |
| 3. Decrease during the period | 7,855,845.81 | 12,385.32 | 7,868,231.13 |
| (1) Sublease to finance lease | | | |
| (2) Transfer or held for sale | | | |
| (3) Other deductions | 7,855,845.81 | 12,385.32 | 7,868,231.13 |
| 4. Closing balance | 210,242,013.25 | 5,558,993.22 | 215,801,006.47 |
| II. Accumulated depreciation | | | |
| 1. Opening balance | 25,467,932.29 | 772,128.87 | 26,240,061.16 |
| 2. Increase during the period | 3,777,115.05 | 139,064.74 | 3,916,179.79 |
| (1) Provision | 3,777,115.05 | 139,064.74 | 3,916,179.79 |
| 3. Decrease during the period | 3,185,888.24 | | 3,185,888.24 |
| (1) Sublease to finance lease | | | |
| (2) Transfer or held for sale | | | |
| (3) Other deductions | 3,185,888.24 | | 3,185,888.24 |
| 4. Closing balance | 26,059,159.10 | 911,193.61 | 26,970,352.71 |
| III. Impairment provision | | | |
| IV. Carrying amount | | | |
| 1. Closing carrying amount | 184,182,854.15 | 4,647,799.61 | 188,830,653.76 |
| 2. Opening carrying amount | 192,629,926.77 | 4,799,249.67 | 197,429,176.44 |

Other explanation: Other deductions during the period were mainly the termination of certain lease contracts of Zhanjiang Arboriculture and Yangjiang Arboriculture.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

19. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

| Item | Land use rights | Software | Patents | Certificates of third party right | Total |
|-------------------------------|------------------|---------------|---------------|-----------------------------------|------------------|
| I. Original carrying value | | | | | |
| 1. Opening balance | 2,040,126,983.35 | 21,946,825.64 | 27,358,613.05 | 15,908,674.87 | 2,105,341,096.91 |
| 2. Increase during the period | 305,847,919.65 | 107,606.09 | | | 305,955,525.74 |
| (1) Acquisition | 305,847,919.65 | 107,606.09 | | | 305,955,525.74 |
| 3. Decrease during the period | | | | | |
| 4. Closing balance | 2,345,974,903.00 | 22,054,431.73 | 27,358,613.05 | 15,908,674.87 | 2,411,296,622.65 |
| II. Accumulated amortisation | | | | | |
| 1. Opening balance | 474,004,742.76 | 21,814,590.97 | 940,153.77 | 15,908,674.87 | 512,668,162.37 |
| 2. Increase during the period | 22,827,920.24 | 239,840.76 | 5,059,845.73 | | 28,127,606.73 |
| (1) Provision | 22,827,920.24 | 239,840.76 | 5,059,845.73 | | 28,127,606.73 |
| 3. Decrease during the period | | | | | |
| 4. Closing balance | 496,832,663.00 | 22,054,431.73 | 5,999,999.50 | 15,908,674.87 | 540,795,769.10 |
| III. Impairment provision | | | | | |
| IV. Carrying amount | | | | | |
| 1. Closing carrying amount | 1,849,142,240.00 | | 21,358,613.55 | | 1,870,500,853.55 |
| 2. Opening carrying amount | 1,566,122,240.59 | 132,234.67 | 26,418,459.28 | | 1,592,672,934.54 |

20. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

| Name of investee or event generating goodwill | Opening balance | Additions during the period | Deductions during the period | Closing balance |
|---|-----------------|-----------------------------|------------------------------|-----------------|
| Jilin Chenming Paper Co., Ltd. | 14,314,160.60 | | | 14,314,160.60 |
| Kunshan Tuoan Plastic Products Co., Ltd. | 26,946,905.38 | | | 26,946,905.38 |
| Total | 41,261,065.98 | | | 41,261,065.98 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

20. Goodwill (Cont'd)

(2) Provision for impairment of goodwill

Unit: RMB

| Name of investee or event generating goodwill | Opening balance | Additions during the period | Deductions during the period | Closing balance |
|---|----------------------|-----------------------------|------------------------------|----------------------|
| Jilin Chenming Paper Co., Ltd. | 14,314,160.60 | | | 14,314,160.60 |
| Total | 14,314,160.60 | | | 14,314,160.60 |

Note: The Company assessed the recoverable amount of goodwill and determined that the goodwill related to the Company's plastic business was not impaired. The Company determines the reporting segments based on the category of the principal activities and categorises Kunshan Tuonan Plastic Products Co., Ltd. as an asset group. The recoverable amount is determined based on the current value of the estimated future cash flows. Future cash flows are determined based on the financial budget for 2022 to 2026 as approved by the management, and adopts a discount rate of 7.28%, the interest rate of the 5-year bonds issued by the Company in 2018. The cash flows for more than 5 years are calculated based on the growth rate of 5%. Other key assumptions used in estimating future cash flows include the estimated sales and gross profit based on the performance of such asset group in the past and the expectation to market development by the management. The management believed that any reasonable change in the above assumptions will not result in the total carrying value of the asset group Kunshan Tuonan Plastic Products Co., Ltd. exceeding its recoverable amount.

21. Long-term prepaid expenses

Unit: RMB

| Item | Opening balance | Increase during the period | Amortisation during the period | Others deductions | Closing balance |
|-------------------|----------------------|----------------------------|--------------------------------|-------------------|----------------------|
| Woodland expenses | 8,387,048.73 | | 330,907.01 | | 8,056,141.72 |
| Others | 40,754,724.41 | 327,354.38 | 1,724,989.22 | | 39,357,089.57 |
| Total | 49,141,773.14 | 327,354.38 | 2,055,896.23 | | 47,413,231.29 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

22. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

| Item | Closing balance | | Opening balance | |
|---|----------------------------------|-------------------------|----------------------------------|-------------------------|
| | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for asset impairment | 2,455,477,182.77 | 563,980,277.58 | 2,323,311,804.03 | 544,452,793.22 |
| Unrealised profit arising from intra-group transactions | 12,642,619.20 | 3,160,654.80 | 110,621,031.60 | 27,655,257.90 |
| Outstanding payables | 538,978,299.84 | 81,648,513.55 | 646,596,211.53 | 97,758,308.63 |
| Deferred income | 95,262,644.06 | 14,289,396.61 | 202,273,476.76 | 30,341,021.50 |
| Deductible losses | 3,035,129,439.03 | 496,416,204.06 | 2,508,683,883.40 | 409,890,367.80 |
| Debt reconstructing | 18,734,830.91 | 4,683,707.73 | 18,734,830.91 | 4,683,707.73 |
| Total | 6,156,225,015.81 | 1,164,178,754.33 | 5,810,221,238.23 | 1,114,781,456.78 |

(2) Deferred income tax liabilities 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 | 20,900,574.28 | 5,225,143.57 | 22,697,097.44 | 5,674,274.36 |
| Debt reconstructing | 30,145,021.52 | 7,536,255.38 | 30,145,021.52 | 7,536,255.38 |
| Total | 51,045,595.80 | 12,761,398.95 | 52,842,118.96 | 13,210,529.74 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

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

(3) Breakdown of unrecognised deferred income tax assets

Unit: RMB

| Item | Closing balance | Opening balance |
|----------------------------------|-----------------------|-----------------------|
| Deductible temporary differences | 1,813,440.18 | 1,671,856.52 |
| Deductible losses | 562,971,551.27 | 730,122,476.10 |
| Total | 564,784,991.45 | 731,794,332.62 |

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

Unit: RMB

| Year | Closing amount | Opening amount | Remark |
|--------------|-----------------------|-----------------------|--------|
| 2022 | | 166,532,843.73 | |
| 2023 | 129,503,478.05 | 129,523,478.05 | |
| 2024 | 83,139,688.19 | 90,461,838.25 | |
| 2025 | 249,241,618.81 | 249,242,062.93 | |
| 2026 | 91,781,165.80 | 94,362,253.14 | |
| 2027 | 9,305,600.42 | | |
| Total | 562,971,551.27 | 730,122,476.10 | |

23. Other non-current assets

Unit: RMB

| Item | Carrying balance | Closing balance | | Opening balance | | Carrying amount |
|--|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | | Impairment provision | Carrying amount | Carrying balance | Impairment provision | |
| Land transfer fees | 2,612,250.68 | | 2,612,250.68 | 298,072,250.68 | | 298,072,250.68 |
| Consideration for acquisition of companies | 127,500,000.00 | | 127,500,000.00 | 127,500,000.00 | | 127,500,000.00 |
| Payments for engineering and equipment | 754,553,629.73 | | 754,553,629.73 | 64,364,443.42 | | 64,364,443.42 |
| Total | 884,665,880.41 | | 884,665,880.41 | 489,936,694.10 | | 489,936,694.10 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

24. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

| Item | Closing balance | Opening balance |
|-----------------------|-------------------|-------------------|
| Discounted borrowings | 16,105,340,000.00 | 16,194,790,000.00 |
| Credit borrowings | 10,398,695,390.93 | 8,847,850,884.15 |
| Guaranteed borrowings | 9,290,708,673.83 | 7,734,756,765.41 |
| Pledged borrowings | 494,919,879.81 | 675,627,536.66 |
| Mortgage borrowings | 70,000,000.00 | 70,000,000.00 |
| Total | 36,359,663,944.57 | 33,523,025,186.22 |

Explanation of the classification of short-term borrowings: ① For classification and amount of mortgage borrowings and mortgage assets, please see 1. Monetary funds and 65. Assets with restricted ownerships or right to use in Note VII. ② For classification and amount of pledged borrowings and mortgage assets, please see 1. Monetary funds and 65. 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 interest payable of RMB20,223,803.64.

25. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

| Item | Closing balance | Opening balance |
|-------------------------|------------------|------------------|
| Payment for goods | 2,914,753,971.61 | 3,074,700,464.48 |
| Payment for engineering | 157,856,765.00 | 307,195,168.83 |
| Payment for equipment | 149,196,495.80 | 249,371,719.69 |
| Others | 47,179,699.25 | 239,863,992.34 |
| Total | 3,268,986,931.66 | 3,871,131,345.34 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

25. Accounts payable (Cont'd)

(2) Disclosure by ageing

Unit: RMB

| Ageing | Closing balance | Opening balance |
|----------------------------------|-------------------------|-------------------------|
| Within 1 year (including 1 year) | 2,758,073,611.38 | 3,282,236,529.52 |
| 1-2 years | 209,075,559.49 | 229,465,372.73 |
| 2-3 years | 99,325,225.63 | 164,915,158.41 |
| Over 3 years | 202,512,535.16 | 194,514,284.68 |
| Total | 3,268,986,931.66 | 3,871,131,345.34 |

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 |
| Fujian Jingyun Development Co., Ltd. | 13,939,237.55 | Not due for payment |
| Jiangsu Ronghai International Logistics Co., Ltd. | 11,159,904.40 | Not due for payment |
| Zhejiang Jndia Pipeline Industry Co., Ltd. | 10,556,896.91 | Not due for payment |
| Total | 78,561,533.20 | |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

26. Bills payable

Unit: RMB

| Category | Closing balance | Opening balance |
|-----------------------------|------------------|------------------|
| Commercial acceptance bills | 2,201,811,787.06 | 1,398,922,636.21 |
| Bank acceptance bills | 1,833,269,491.79 | 1,690,589,691.19 |
| Total | 4,035,081,278.85 | 3,089,512,327.40 |

27. Receipts in advance

(1) Particulars of receipts in advance

Unit: RMB

| Item | Closing balance | Opening balance |
|------------------------|-----------------|-----------------|
| Prepaid property rents | 26,735,329.19 | 38,274,028.20 |
| Total | 26,735,329.19 | 38,274,028.20 |

28. Contract liabilities

Unit: RMB

| Item | Closing balance | Opening balance |
|------------------------------|------------------|------------------|
| Payment for goods in advance | 1,334,133,746.95 | 1,382,289,597.54 |
| Total | 1,334,133,746.95 | 1,382,289,597.54 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

29. Staff remuneration payables

(1) Particulars of staff remuneration payables

Unit: RMB

| Item | Opening balance | Additions during the period | Deductions during the period | Closing balance |
|---|-----------------------|-----------------------------|------------------------------|-----------------------|
| I. Short-term remuneration | 169,854,249.70 | 576,356,055.71 | 620,357,407.71 | 125,852,897.70 |
| II. Retirement benefit plan-defined contribution scheme | 44,758.31 | 103,813,852.43 | 99,083,756.91 | 4,774,853.83 |
| III. Termination benefits | | 266,898.58 | 266,898.58 | |
| Total | 169,899,008.01 | 680,436,806.72 | 719,708,063.20 | 130,627,751.53 |

(2) Particulars of short-term remuneration

Unit: RMB

| Item | Opening balance | Additions during the period | Deductions during the period | Closing balance |
|--|-----------------------|-----------------------------|------------------------------|-----------------------|
| 1. Salaries, bonuses, allowances and subsidies | 160,186,039.82 | 460,654,365.60 | 509,443,300.19 | 111,397,105.23 |
| 2. Staff welfare | | 22,624,020.73 | 22,624,020.73 | |
| 3. Social insurance premiums | 346,948.68 | 47,034,549.71 | 47,123,115.79 | 258,382.60 |
| Of which: Medical insurance premium | 344,352.16 | 42,514,565.07 | 42,648,640.07 | 210,277.16 |
| Work-related injury insurance premium | 98.44 | 2,814,757.90 | 2,766,750.90 | 48,105.44 |
| Maternity insurance | 2,498.08 | 1,705,226.74 | 1,707,724.82 | |
| 4. Housing provident funds | 5,094,807.67 | 36,592,873.38 | 35,777,051.48 | 5,910,629.57 |
| 5. Union funds and staff education expenses | 1,488,335.51 | 7,402,901.61 | 3,130,084.56 | 5,761,152.56 |
| 6. Short-term paid holiday | 2,738,118.02 | 2,047,344.68 | 2,259,834.96 | 2,525,627.74 |
| Total | 169,854,249.70 | 576,356,055.71 | 620,357,407.71 | 125,852,897.70 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

29. Staff remuneration payables (Cont'd)

(3) Defined contribution plan

Unit: RMB

| Item | Opening balance | Additions during the period | Deductions during the period | Closing balance |
|----------------------------|------------------|-----------------------------|------------------------------|---------------------|
| 1. Basic pension insurance | 43,609.94 | 99,150,737.46 | 94,576,886.30 | 4,617,461.10 |
| 2. Unemployment insurance | 1,148.37 | 4,663,114.97 | 4,506,870.61 | 157,392.73 |
| Total | 44,758.31 | 103,813,852.43 | 99,083,756.91 | 4,774,853.83 |

30. Taxes payable

Unit: RMB

| Item | Closing balance | Opening balance |
|--|-----------------------|-----------------------|
| Value added tax | 84,803,146.51 | 125,522,336.03 |
| Enterprise income tax | 33,920,551.32 | 89,597,918.41 |
| Property tax | 24,095,481.04 | 13,083,934.41 |
| Land use tax | 9,411,113.14 | 9,240,921.98 |
| Urban maintenance and construction tax | 4,251,472.39 | 3,748,576.77 |
| Resource tax | 4,000,000.00 | 4,500,000.00 |
| Environmental protection tax | 3,906,160.20 | 3,959,856.45 |
| Stamp duty | 3,890,115.11 | 3,456,472.38 |
| Educational surcharges and others | 3,761,962.18 | 2,931,140.78 |
| Land appreciation tax | 2,024,028.20 | 4,076,160.22 |
| Individual income tax | 1,998,018.59 | 61,378,163.24 |
| Total | 176,062,048.68 | 321,495,480.67 |

31. Other payables

Unit: RMB

| Item | Closing balance | Opening balance |
|------------------|-------------------------|-------------------------|
| Interest payable | 65,975,461.61 | 55,437,777.80 |
| Other payables | 1,478,440,073.13 | 1,482,575,808.13 |
| Total | 1,544,415,534.74 | 1,538,013,585.93 |

Note: Other payables in the above table refer to other payables net of interest payable and dividends payable.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

31. Other payables (Cont'd)

(1) Interest payable

Unit: RMB

| Item | Closing balance | Opening balance |
|-------------------------------|----------------------|----------------------|
| Interest on Corporate Bonds | 4,268,152.77 | 21,132,222.24 |
| Interest on medium-term notes | 61,707,308.84 | 34,305,555.56 |
| Total | 65,975,461.61 | 55,437,777.80 |

(2) Other payables

1) Other payables by nature

Unit: RMB

| Item | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| Payments | 389,694,955.91 | 550,223,956.81 |
| Deposit | 351,639,653.97 | 261,990,665.03 |
| Accrued expenses | 386,192,674.26 | 341,923,505.85 |
| The obligation to repurchase shares under the share incentive scheme | 226,860,000.00 | 226,860,000.00 |
| Others | 124,052,788.99 | 101,577,680.44 |
| Total | 1,478,440,073.13 | 1,482,575,808.13 |

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 | |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

32. Non-current liabilities due within one year

Unit: RMB

| Item | Closing balance | Opening balance |
|---|------------------|------------------|
| Long-term payables due within one year | 1,729,422,560.82 | 1,543,620,543.60 |
| Long-term borrowings due within one year | 1,469,717,511.11 | 2,583,730,366.67 |
| Other non-current liabilities due within one year | 1,004,483,257.04 | 1,198,716,666.67 |
| Bonds payable due within one year | 350,000,000.00 | 1,270,636,933.46 |
| Lease liabilities due within one year | 4,728,345.21 | 4,606,717.58 |
| Total | 4,558,351,674.18 | 6,601,311,227.98 |

33. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

| Item | Closing balance | Opening balance |
|--|------------------|------------------|
| Mortgage borrowings | 3,571,078,975.82 | 3,921,048,883.74 |
| Guaranteed borrowings | 2,187,641,710.38 | 2,028,979,800.00 |
| Credit borrowings | 1,074,231,881.94 | 1,910,041,837.91 |
| Less: Long-term borrowings due within one year | 1,469,717,511.11 | 2,583,730,366.67 |
| Total | 5,363,235,057.03 | 5,276,340,154.98 |

Other explanation:

- ① For classification and amount of pledged assets of pledged borrowings, please see 1. Monetary funds and 65. Assets with restricted ownerships or right to use in Note VII.
- ② Long-term borrowings included interest payable of RMB15,766,964.86.

34. Bonds payable

Unit: RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| 18 Chenming Bond 01 – Chenming Group Chenming USD Bonds | | 155,000,000.00 |
| Total | | 155,000,000.00 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

34. Bonds payable (Cont'd)

(1) Increase/decrease in bonds payable

Unit: RMB

| Bond name | Par value | Date of issue | Term | Issue amount |
|--------------------------------------|-------------------------|---------------|-----------|-------------------------|
| 18 Chenming Bond 01 – Chenming Group | 350,000,000.00 | 2 April 2018 | 5 years | 350,000,000.00 |
| Chenming USD Bonds | 1,137,120,600.00 | 6 August 2019 | 2.6 years | 1,125,276,863.46 |
| Total | 1,487,120,600.00 | | | 1,475,276,863.46 |

Unit: RMB

| Bond name | Opening balance | Issuance during the period | Interest at par value | Amortisation of premium/discount | Repayment during the period | Changes in gains and losses from foreign exchange | Closing balance |
|---|-------------------------|----------------------------|-----------------------|----------------------------------|-----------------------------|---|-----------------------|
| 18 Chenming Bond 01 – Chenming Group | 350,000,000.00 | | 8,627,597.22 | | 8,627,597.22 | | 350,000,000.00 |
| Chenming USD Bonds | 1,075,636,933.46 | | 30,847,102.56 | 1,019,717.03 | 1,109,532,202.56 | 4,067,883.57 | |
| Subtotal | 1,425,636,933.46 | | 39,474,699.78 | 1,019,717.03 | 1,118,159,799.78 | 4,067,883.57 | 350,000,000.00 |
| Less: Bonds payable due within one year | 1,270,636,933.46 | | | | | | 350,000,000.00 |
| Total | 155,000,000.00 | | 39,474,699.78 | 1,019,717.03 | 1,118,159,799.78 | 4,067,883.57 | |

35. Lease liabilities

Unit: RMB

| Item | Closing balance | Opening balance |
|---|----------------------|----------------------|
| Lease payments payable | 77,669,999.53 | 81,362,458.45 |
| Less: Unrecognised financing expenses | 18,190,037.27 | 19,474,535.06 |
| Subtotal | 59,479,962.26 | 61,887,923.39 |
| Less: Lease liabilities due within one year | 4,728,345.21 | 4,606,717.58 |
| Total | 54,751,617.05 | 57,281,205.81 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

36. Long-term payables

Unit: RMB

| Item | Closing balance | Opening balance |
|--------------------|------------------|------------------|
| Long-term payables | 3,383,399,934.07 | 2,358,901,022.99 |
| Total | 3,383,399,934.07 | 2,358,901,022.99 |

(1) Long-term payables by nature

Unit: RMB

| Item | Closing balance | Opening balance |
|--|------------------|------------------|
| Financial leasing | 4,426,322,494.89 | 3,188,521,566.59 |
| China Development Bank Special Funds | 460,500,000.00 | 488,000,000.00 |
| Contributions by other partners | 225,000,000.00 | 225,000,000.00 |
| Retention for the financial leasing operations | 1,000,000.00 | 1,000,000.00 |
| Subtotal | 5,172,822,494.89 | 3,902,521,566.59 |
| Less: Long-term payables due within one year | 1,729,422,560.82 | 1,543,620,543.60 |
| Total | 3,383,399,934.07 | 2,358,901,022.99 |

37. Provisions

Unit: RMB

| Item | Closing balance | Opening balance | Reason |
|--------------------|-----------------|-----------------|----------------------------|
| Pending litigation | 325,259,082.28 | 325,259,082.28 | Losses from Arjo's lawsuit |
| Total | 325,259,082.28 | 325,259,082.28 | |

Explanation: In February 2017, Arjowiggins HKK2 Limited ("HKK2 Company") submitted a H share winding-up petition against the Company to Hong Kong High Court due to a joint venture dispute, which required a compensation for economic loss of RMB167 million and interest thereon, and legal costs of USD3.54 million and arbitration fee of HK\$3.3 million and interest thereon to HKK2. The Company made provision of RMB320 million for such pending litigation in 2017. On 5 August 2020, Hong Kong High Court rejected the Company's appeal. On 14 June 2022, Hong Kong Court of Final Appeal rejected the Company's appeal, and directed that the sum of HK\$389,112,432.44, together with interest accrued thereon, previously deposited with the Court as a stay of the conditions of the winding up petition filed by HKK2 against the Company pursuant to the order of the Judge of the Court of First Instance, Mr. HARRIS Jonathan Russell, shall be paid to HKK2.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

38. Deferred income

Unit: RMB

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance | Reason |
|-------------------|------------------|----------------------------|----------------------------|------------------|---------------------|
| Government grants | 1,573,681,684.25 | | 52,355,943.37 | 1,521,325,740.88 | Financial provision |
| Total | 1,573,681,684.25 | | 52,355,943.37 | 1,521,325,740.88 | |

Items in respect of government grants:

Unit: RMB

| Liabilities item | Opening balance | New grants for the period | Include in other income for the period | Other changes | Closing balance | Asset-related/ income-related |
|--|------------------|---------------------------|--|---------------|------------------|----------------------------------|
| Project fund for National technological support scheme | 1,123,125.00 | | 82,350.00 | | 1,040,775.00 | Asset-related government grants |
| Infrastructure and environmental protection projects | 219,273,225.52 | | 6,019,465.67 | | 213,253,759.85 | Asset-related government grants |
| Huanggang forestry-pulp paper project | 496,846,742.41 | | 12,513,108.90 | | 484,333,633.51 | Asset-related government grants |
| Zhanjiang forestry-pulp paper project | 50,806,597.19 | | 2,047,316.46 | | 48,759,280.73 | Asset-related government grants |
| Financial subsidies for technological transformation project | 144,150,333.36 | | 5,767,903.86 | | 138,382,429.50 | Asset-related government grants |
| Funding for environmental protection | 627,047,425.68 | | 25,296,070.94 | | 601,751,354.74 | Asset-related government grants |
| Others | 34,434,235.09 | | 629,727.54 | | 33,804,507.55 | Asset-related government grants |
| Total | 1,573,681,684.25 | | 52,355,943.37 | | 1,521,325,740.88 | |

39. 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 | 2,984,208,200.00 | | | | | 2,984,208,200.00 | |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

40. 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 (RMB) | 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 | None | Non-convertible |
| Total | | | | | 10,000,000.00 | 1,000,000,000.00 | | | |

(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 instruments – Perpetual Bonds.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

41. Capital reserves

Unit: RMB

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|---------------------------------|------------------|----------------------------|----------------------------|------------------|
| Capital premium (share premium) | 4,471,891,796.08 | 29,676,814.69 | | 4,501,568,610.77 |
| Other capital reserves | 755,366,304.33 | | 6,850,012.78 | 748,516,291.55 |
| Total | 5,227,258,100.41 | 29,676,814.69 | 6,850,012.78 | 5,250,084,902.32 |

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

① The Company estimated that due to the second batch of 30% restricted shares, the capital surplus recognised in previous years was eliminated in the current period, and the final share-based payment was recognised as a reduction of capital surplus of RMB6,850,012.78; ② a capital increase of Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, was contributed on the part of other investors, causing a decrease in the Company's shareholding without loss of control, and an increase of capital reserves of RMB29,676,814.69; ③ in 2021, Guangdong Nanyue Bank Co., Ltd., an associate of the Company, introduced investment on the part of other investors, which diluted the Company's equity interest, and as the 2021 annual report of Guangdong Nanyue Bank Co., Ltd. was disclosed later than the Company, the Company reduced the capital reserves by RMB55,547,014.21 based on the audited amount in the 2021 annual report of Guangdong Nanyue Bank Co., Ltd.

42. Treasury shares

Unit: RMB

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-----------------|-----------------|----------------------------|----------------------------|-----------------|
| Share incentive | 226,860,000.00 | | | 226,860,000.00 |
| Total | 226,860,000.00 | | | 226,860,000.00 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

43. 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 | -445,582,729.36 | -150,398,727.06 | | | | -150,576,277.41 | 177,550.35 | -596,159,006.77 |
| Of which: Other comprehensive income that may be reclassified to profit or loss under the equity method | -10,512,532.56 | 4,743,150.54 | | | | 4,565,600.19 | 177,550.35 | -5,946,932.37 |
| Translation differences of financial statements denominated in foreign currency | -435,070,196.80 | -155,141,877.60 | | | | -155,141,877.60 | | -590,212,074.40 |
| Total other comprehensive income | -445,582,729.36 | -150,398,727.06 | | | | -150,576,277.41 | 177,550.35 | -596,159,006.77 |

44. General risk reserves

Unit: RMB

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-----------------------|-----------------|----------------------------|----------------------------|-----------------|
| General risk reserves | 76,825,918.60 | | | 76,825,918.60 |
| Total | 76,825,918.60 | | | 76,825,918.60 |

45. Surplus reserves

Unit: RMB

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|----------------------------|------------------|----------------------------|----------------------------|------------------|
| Statutory surplus reserves | 1,212,009,109.97 | | | 1,212,009,109.97 |
| Total | 1,212,009,109.97 | | | 1,212,009,109.97 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

46. Retained profit

Unit: RMB

| Item | The period | The prior period |
|--|------------------|-------------------|
| Retained profit as at the end of the prior year before adjustment | 9,210,372,613.81 | 9,999,764,028.74 |
| Adjustment to opening balance of retained earnings (increase +, decrease -) | 83,754,093.05 | -1,887,031,763.57 |
| Opening balance of retained profit after adjustment | 9,294,126,706.86 | 8,112,732,265.17 |
| Plus: Net profit for the period attributable to shareholders of the parent company | 230,141,463.76 | 2,065,513,108.71 |
| Less: Transfer of statutory surplus reserves | | |
| Transfer of discretionary surplus reserves | | 2,703,274.40 |
| Transfer of general risk reserves | | 552,078,517.01 |
| Ordinary dividend payable | | 89,700,000.00 |
| Perpetual Bonds interest payable | | 323,390,968.66 |
| Preference shares interest payable | | |
| Retained profit as at the end of the period | 9,524,268,170.62 | 9,210,372,613.81 |

Breakdown of adjustments to opening balance of retained earnings:

The Company implemented the new financial instrument standard earlier than the Company's associate, Guangdong Nanyue Bank Co., Ltd., but during the period in which the associate had yet to implement the new standard, the Company did not adjust the financial statements of associates or joint ventures in accordance with the new standard when it adopted the equity method of accounting due to objective limitations. The associate adjusted the opening balances of the financial statements in accordance with the convergence requirements of the new standard since 1 January 2021, and pursuant to the Fifth Batch of Questions and Answers on the Implementation of Accounting Standards for Enterprises for 2021 – (I) Questions and Answers on the Implementation of Long-term Equity Investment Standards of the Accounting Department of the Ministry of Finance, the Company should adjust the opening balances of its 2021 financial statements accordingly when adopting the equity method of accounting. As the Company's 2021 annual report was disclosed earlier than that of Guangdong Nanyue Bank Co., Ltd., the Company adjusted the opening balance of retained earnings based on the unaudited data of Guangdong Nanyue Bank Co., Ltd. in its 2021 annual report, and adjust the opening balance for the period based on the difference in the opening net assets after Guangdong Nanyue Bank Co., Ltd. had issued the official auditors' report.

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

47. Revenue and operating costs

Unit: RMB

| Item | Amount for the period | | Amount for the prior period | |
|----------------------|--------------------------|--------------------------|-----------------------------|--------------------------|
| | Revenue | Costs | Revenue | Costs |
| Principal activities | 16,170,535,559.24 | 13,622,445,474.80 | 16,368,937,751.59 | 11,107,531,244.57 |
| Other activities | 505,892,806.59 | 432,503,804.40 | 803,878,602.94 | 753,529,733.35 |
| Total | 16,676,428,365.83 | 14,054,949,279.20 | 17,172,816,354.53 | 11,861,060,977.92 |

Information related to revenue:

Unit: RMB

| Category of contract | Machine-made paper | Financial services | Hotel and property rentals | Others | Total |
|------------------------------------|--------------------|--------------------|----------------------------|----------------|-------------------|
| Type of goods | 16,091,824,702.93 | 125,629,976.14 | 108,076,112.11 | 350,897,574.65 | 16,676,428,365.83 |
| Including: | | | | | |
| Machine-made paper | 14,440,493,130.31 | | | | 14,440,493,130.31 |
| Pulp | 239,810,290.10 | | | | 239,810,290.10 |
| Financial leasing | | 84,916,541.08 | | | 84,916,541.08 |
| Electricity and steam | 195,203,273.89 | | | | 195,203,273.89 |
| Construction materials | | | | 128,912,692.24 | 128,912,692.24 |
| Paper chemicals | 70,973,693.13 | | | | 70,973,693.13 |
| Hotel and property rentals | | | 104,267,757.09 | | 104,267,757.09 |
| Others | 1,145,344,315.50 | 40,713,435.06 | 3,808,355.02 | 221,984,882.41 | 1,411,850,987.99 |
| By geographical area | 16,091,824,702.93 | 125,629,976.14 | 108,076,112.11 | 350,897,574.65 | 16,676,428,365.83 |
| Including: | | | | | |
| Mainland China | 12,207,917,878.75 | 125,629,976.14 | 108,076,112.11 | 350,897,574.65 | 12,792,521,541.65 |
| Other countries and regions | 3,883,906,824.18 | | | | 3,883,906,824.18 |
| By the timing of delivery | 16,091,824,702.93 | 125,629,976.14 | 108,076,112.11 | 350,897,574.65 | 16,676,428,365.83 |
| Including: | | | | | |
| Goods (at a point in time) | 15,885,198,027.99 | | 5,870,305.78 | 350,897,574.65 | 16,241,965,908.42 |
| Services (within a certain period) | 195,203,273.89 | 125,481,352.28 | 24,330,678.09 | | 345,015,304.26 |
| Leasing income | 11,423,401.05 | 148,623.86 | 77,875,128.24 | | 89,447,153.15 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

48. Taxes and surcharges

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|--|-----------------------|-----------------------------|
| Property tax | 41,715,466.80 | 37,450,589.35 |
| Stamp duty | 24,637,949.80 | 18,130,742.66 |
| Urban maintenance and construction tax | 17,218,814.49 | 27,858,367.33 |
| Educational surcharges and local education surcharge | 11,612,306.79 | 19,989,461.94 |
| Environmental protection Tax | 6,793,722.79 | 10,751,303.03 |
| Water resource tax | 5,678,351.10 | 15,486,250.50 |
| Land use tax | 4,547,575.80 | 24,349,448.93 |
| Vehicle and vessel tax | 1,998,845.57 | 85,669.29 |
| Cultural undertaking development tax | 1,528,301.88 | |
| Water conservation funds | 350,123.53 | 516,687.03 |
| Land appreciation tax | 27,432.00 | 9,175,506.88 |
| Total | 116,108,890.55 | 163,794,026.94 |

49. Selling and distribution expenses

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|-------------------------------|-----------------------|-----------------------------|
| Wages and surcharges | 72,692,606.41 | 70,949,714.14 |
| Business hospitality expenses | 22,786,567.81 | 25,673,227.63 |
| Travel expenses | 8,535,839.64 | 9,694,437.71 |
| Selling commissions | 6,883,405.06 | 7,029,390.00 |
| Depreciation expenses | 5,541,590.42 | 5,712,298.99 |
| Rental expenses | 2,478,458.25 | 5,295,433.81 |
| Office expenses | 1,108,123.52 | 1,299,490.73 |
| Warehouse expenses | 503,789.82 | 252,549.57 |
| Others | 17,525,382.72 | 21,716,196.16 |
| Total | 138,055,763.65 | 147,622,738.74 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

50. General and administrative expenses

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|-----------------------------------|-----------------------|-----------------------------|
| Wages and surcharges | 113,861,878.26 | 169,081,336.44 |
| Production interruption loss | 69,598,970.31 | 48,338,437.27 |
| Depreciation expenses | 47,710,740.44 | 51,326,963.11 |
| Hospitality expenses | 38,886,989.85 | 27,155,232.97 |
| Welfare expenses | 35,507,840.57 | 34,628,571.86 |
| Amortisation of intangible assets | 25,828,580.24 | 25,323,097.56 |
| Repair fees | 9,615,210.77 | 13,610,506.54 |
| Insurance premium | 9,449,472.17 | 14,955,132.42 |
| Others | 72,306,683.24 | 107,629,277.32 |
| Total | 422,766,365.85 | 492,048,555.49 |

51. R&D expenses

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|---------------------------------------|-----------------------|-----------------------------|
| Consumption of raw materials | 264,700,948.65 | 366,439,019.85 |
| Utilities | 105,357,973.18 | 86,755,891.97 |
| Consumption of semi-finished products | 98,638,775.67 | 66,656,701.37 |
| Consumption of auxiliary materials | 89,924,013.81 | 100,156,151.93 |
| Wages and surcharges | 76,633,329.10 | 83,767,837.01 |
| Depreciation expenses | 23,781,607.53 | 27,969,754.45 |
| Insurance premium | 15,220,882.81 | 15,104,675.76 |
| Welfare expenses | 4,712,671.38 | 5,060,144.67 |
| Housing provident funds | 2,698,047.92 | 2,786,507.56 |
| Union funds | 625,136.54 | 815,212.59 |
| Installation expenses | 513,779.36 | 372,517.00 |
| Other expenses | 707,394.98 | 1,136,940.41 |
| Total | 683,514,560.93 | 757,021,354.57 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

52. Finance expenses

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|-----------------------------------|-------------------------|-----------------------------|
| Interest expenses | 991,475,816.56 | 1,399,107,777.11 |
| Less: capitalised interest amount | | |
| Interest income | 150,582,370.85 | 221,507,514.16 |
| Foreign exchange gains and losses | -21,746,160.65 | -35,419,357.17 |
| Bank charges and others | 201,887,319.60 | 176,761,250.38 |
| Total | 1,021,034,604.66 | 1,318,942,156.16 |

53. Other income

Unit: RMB

| Source of other income | Amount for the period | Amount for the prior period |
|--|-----------------------|-----------------------------|
| Government grants – amortised deferred income included in profit or loss | 52,355,943.37 | 52,913,447.76 |
| Government grants – directly included in profit or loss | 96,908,668.31 | 70,185,300.82 |
| Total | 149,264,611.68 | 123,098,748.58 |

54. 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 | 26,616,556.58 | 82,955,115.52 |
| Investment income on holding financial assets held for trading and other non-current financial assets | 6,301,220.33 | 15,000,000.00 |
| Investment gain on disposal of long-term equity investments | 6,812.52 | 676,586.27 |
| Gain on debt restructuring | -754,806.87 | |
| Investment gain on derecognition of financial assets | -56,307,959.46 | |
| Total | -24,138,176.90 | 98,631,701.79 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

55. Gain on change in fair value

Unit: RMB

| Source of gain on change in fair value | Amount for the period | Amount for the prior period |
|---|-----------------------|-----------------------------|
| Financial assets held for trading | -62,122,863.58 | -89,980,570.69 |
| Of which: Gain on change in fair value from derivative financial instruments | | |
| Gain on change in fair value of consumable biological assets measured at fair value | 3,309,448.09 | -9,139,121.20 |
| Total | -58,813,415.49 | -99,119,691.89 |

56. Credit impairment loss

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|--------------------------------------|-----------------------|-----------------------------|
| Bad debt loss of accounts receivable | -25,363,341.17 | -279,757,983.46 |
| Total | -25,363,341.17 | -279,757,983.46 |

57. 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 | 1,936,644.09 | |
| Total | 1,936,644.09 | |

58. Asset disposal income

Unit: RMB

| Source of asset disposal income | Amount for the period | Amount for the prior period |
|--|-----------------------|-----------------------------|
| Gain on disposal of non-current assets | 1,605,314.49 | 6,731,452.88 |
| Gain on disposal of intangible assets | | 42,188,905.24 |
| Total | 1,605,314.49 | 48,920,358.12 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

59. 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 |
|---|-----------------------|-----------------------------|---|
| Fine income | 215,595.32 | | 215,595.32 |
| Gain on damage and retirement of non-current assets | 23,874.29 | 1,255,005.76 | 23,874.29 |
| Exempted debts | 11,345.80 | 4,275,104.92 | 11,345.80 |
| Government grants | | 2,045,973.21 | |
| Others | 842,613.92 | 11,145,199.75 | 842,613.92 |
| Total | 1,093,429.33 | 18,721,283.64 | 1,093,429.33 |

60. Non-operating expenses

Unit: RMB

| Item | Amount for the period | Amount for the prior period | Included in non-recurring profit or loss in the period |
|---|-----------------------|-----------------------------|--|
| Loss on damage and retirement of non-current assets | 5,557,464.33 | 2,177,197.00 | 5,557,464.33 |
| Default penalty | 4,626,610.27 | – | 4,626,610.27 |
| Donation | 5,000.00 | 80,000.00 | 5,000.00 |
| Others | 13,665.00 | 75,333.96 | 13,665.00 |
| Total | 10,202,739.60 | 2,332,530.96 | 10,202,739.60 |

61. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|------------------------------------|-----------------------|-----------------------------|
| Income tax expenses for the period | 51,225,155.03 | 283,824,021.53 |
| Deferred income tax expenses | -49,846,428.34 | -9,766,242.33 |
| Total | 1,378,726.69 | 274,057,779.20 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

61. Income tax expenses (Cont'd)

(2) Reconciliation between accounting profit and income tax expenses

Unit: RMB

| Item | Amount for the period |
|---|-----------------------|
| Total profit | 275,381,227.42 |
| Income tax expenses calculated at statutory/applicable tax rates | 41,307,184.11 |
| Effect of different tax rates applicable to subsidiaries | 57,264,569.19 |
| Effect of adjustments for income tax for prior periods | -15,518,260.26 |
| Profit and loss of joint ventures and associates accounted for using the equity method | -3,992,483.50 |
| Effect of income not subject to tax | -25,462,500.00 |
| Non-deductible costs, expenses and losses | 4,592,825.70 |
| Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets | -12,954,253.46 |
| Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets | 24,390,555.43 |
| Tax effect of R & D fee deduction | -68,248,910.52 |
| Income tax expense | 1,378,726.69 |

62. 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 |
|---|-----------------------|-----------------------------|
| Interest income | 147,503,480.13 | 208,877,644.50 |
| Net proceedings from the financial leasing business | 125,816,344.91 | 616,398,096.59 |
| Government support fund | 94,023,387.98 | 111,501,713.53 |
| Open credit and other income | 466,613,154.78 | 99,723,258.86 |
| Total | 833,956,367.80 | 1,036,500,713.48 |

(2) Cash paid relating to other operating activities

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|--------------------------|-----------------------|-----------------------------|
| Expenses and open credit | 998,576,421.97 | 999,490,395.09 |
| Total | 998,576,421.97 | 999,490,395.09 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

62. Items on statements of cash flow (Cont'd)

(3) Cash received relating to other investing activities

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|--|-----------------------|-----------------------------|
| Receipt of consideration for equity transfer | | 251,414,794.52 |
| Total | | 251,414,794.52 |

(4) Cash received relating to other financing activities

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|--|-----------------------|-----------------------------|
| Equipment financing | 2,068,410,644.82 | 574,665,920.24 |
| Recovery of deposit for financial leasing | 10,500,000.00 | |
| Decrease in restricted bank deposits during the period | | 1,526,876,431.27 |
| Resale of medium-term notes | | 400,000,000.00 |
| Contribution from government platforms to GDR Fund and Chendu Fund | | 232,790,000.00 |
| Total | 2,078,910,644.82 | 2,734,332,351.51 |

(5) Cash paid relating to other financing activities

Unit: RMB

| Item | Amount for the period | Amount for the prior period |
|---|-----------------------|-----------------------------|
| Purchase or repayment of short-term commercial paper and MTNs | 200,000,000.00 | 2,145,000,000.00 |
| Repayment of equipment sale and leaseback | 961,427,794.77 | 996,692,287.81 |
| Redemption of Preference shares | | 2,250,000,000.00 |
| Payment of Preference shares dividend | | 98,100,000.00 |
| Payment for equity in China Development Bank funds | 27,500,000.00 | 29,500,000.00 |
| Repayment of USD Bonds | 1,078,685,100.00 | |
| Increase of restricted bank deposits | 992,161,166.63 | |
| Payment for finance lease deposits | 51,000,000.00 | |
| Total | 3,310,774,061.40 | 5,519,292,287.81 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

63. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

| Supplementary information | Amount for the period | Amount for the prior period |
|---|--------------------------|--------------------------------|
| 1. Reconciliation of net profit as cash flows from operating activities: | | |
| Net profit | 274,002,500.73 | 2,066,430,651.33 |
| Plus: Provision for impairment of assets | 23,426,697.08 | 279,757,983.46 |
| Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of bearer biological assets and investment property | 1,138,180,403.64 | 1,164,573,912.37 |
| Depreciation of right-of-use assets | 3,916,179.79 | 3,959,539.44 |
| Amortisation of intangible assets | 28,127,606.73 | 27,645,672.10 |
| Amortisation of long-term prepaid expenses | 2,055,896.23 | 1,793,632.06 |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain) | -1,605,314.49 | -47,998,166.88 |
| Loss on retirement of fixed assets (“-” denotes gain) | 5,533,590.04 | |
| Loss on changes in fair value (“-” denotes gain) | 58,813,415.49 | 99,119,691.89 |
| Finance expenses (“-” denotes gain) | 991,475,816.56 | 1,399,107,777.11 |
| Investment loss (“-” denotes gain) | 24,138,176.90 | -98,631,701.79 |
| Decrease in deferred income tax assets (“-” denotes increase) | -49,397,297.55 | 9,766,242.33 |
| Increase in deferred income tax liabilities (“-” denotes decrease) | -449,130.79 | -449,130.80 |
| Decrease in inventories (“-” denotes increase) | -105,936,523.16 | -1,766,629,170.47 |
| Decrease in operating receivables (“-” denotes increase) | -1,497,590,484.79 | 1,272,002,689.91 |
| Increase in operating payables (“-” denotes decrease) | 103,572,677.04 | 336,735,899.88 |
| Others | | |
| Net cash flows from operating activities | 998,264,209.45 | 4,747,185,521.94 |
| 2. Major investing and financing activities not involving cash settlements: | | |
| 3. Net change in cash and cash equivalents: | | |
| Closing balance of cash | 3,142,606,091.96 | 4,625,780,176.57 |
| Less: Opening balance of cash | 3,168,915,847.02 | 4,389,169,963.79 |
| Plus: Closing balance of cash equivalents | | |
| Less: Opening balance of cash equivalents | | |
| Net increase in cash and cash equivalents | -26,309,755.06 | 236,610,212.78 |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

63. Supplementary information on cash flow statement (Cont'd)

(2) Cash and cash equivalents composition

Unit: RMB

| Item | Closing balance | Opening balance |
|---|------------------|------------------|
| I. Cash | 3,142,606,091.96 | 4,625,780,176.57 |
| Of which: Treasury cash | 3,313,516.53 | 2,903,620.96 |
| Bank deposit that can be used for payment at any time | 3,139,292,575.43 | 4,622,876,555.61 |
| II. Cash equivalents | | |
| Of which: Bond investment with maturity within 3 months | | |
| III. Balance of cash and cash equivalent at end of period | 3,142,606,091.96 | 4,625,780,176.57 |

64. Notes to items of statements of changes in owners' equity

The Company implemented the new financial instrument standard earlier than the Company's associate, Guangdong Nanyue Bank Co., Ltd., but during the period in which the associate had yet to implement the new standard, the Company did not adjust the financial statements of associates or joint ventures in accordance with the new standard when it adopted the equity method of accounting due to objective limitations. The associate adjusted the opening balances of the financial statements in accordance with the convergence requirements of the new standard since 1 January 2021, and pursuant to the Fifth Batch of Questions and Answers on the Implementation of Accounting Standards for Enterprises for 2021 – (I) Questions and Answers on the Implementation of Long-term Equity Investment Standards of the Accounting Department of the Ministry of Finance, the Company should adjust the opening balances of its 2021 financial statements accordingly when adopting the equity method of accounting. As the Company's 2021 annual report was disclosed earlier than that of Guangdong Nanyue Bank Co., Ltd., the Company adjusted the opening balance of retained earnings based on the unaudited data of Guangdong Nanyue Bank Co., Ltd. in its 2021 annual report, and adjusted the opening balance for the period based on the difference in the opening net assets after Guangdong Nanyue Bank Co., Ltd. had issued the official auditors' report.

65. Assets with restricted ownerships or right to use

Unit: RMB

| Item | Closing carrying amount | Reasons for such restriction |
|-------------------------------|-------------------------|---|
| Monetary funds | 11,749,299,176.80 | As deposits for bank acceptance bills and letters of credit, deposit reserves, etc. (Note VII. 1) |
| Accounts receivable financing | 10,925,711.40 | As collateral for letters of guarantee and letters of credit (Note VII. 5) |
| Accounts receivable | 250,000,000.00 | As collateral for borrowings (Note VII. 4) |
| Fixed assets | 12,634,559,687.51 | As collateral for bank borrowings and long-term payables (Note VII. 15) |
| Intangible assets | 1,184,321,483.40 | As collateral for bank borrowings and long-term payables (Note VII. 19) |
| Investment property | 4,964,639,998.32 | As collateral for bank borrowings (Note VII. 14) |
| Total | 30,793,746,057.43 | |

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

66. Foreign currency items

(1) Foreign currency items

Unit: RMB

| Item | Closing foreign currency balance | Exchange rate | Closing balance in RMB |
|---|-------------------------------------|---------------|---------------------------|
| Monetary funds | | | |
| Of which: USD | 60,330,919.53 | 6.7114 | 404,904,933.33 |
| EUR | 7,227,874.60 | 7.0084 | 50,655,836.35 |
| HKD | 191,298.30 | 0.8552 | 163,598.31 |
| GBP | 8,886.64 | 8.1365 | 72,306.15 |
| JPY | 1,197.00 | 0.0491 | 58.77 |
| Accounts receivables | | | |
| Of which: USD | 47,107,957.83 | 6.7114 | 316,160,348.18 |
| EUR | 11,881,530.35 | 7.0084 | 83,270,517.30 |
| JPY | 146,734,998.00 | 0.0491 | 7,204,688.40 |
| Other receivables | | | |
| Of which: USD | 2,144,521.60 | 6.7114 | 14,392,742.27 |
| EUR | 45,880.07 | 7.0084 | 321,545.88 |
| Accounts payable | | | |
| Of which: USD | 54,043,508.06 | 6.7114 | 362,707,599.99 |
| EUR | 398,021.67 | 7.0084 | 2,789,495.07 |
| JPY | 187,909.00 | 0.0491 | 9,226.33 |
| Other payables | | | |
| Of which: USD | 489,888.04 | 6.7114 | 3,287,834.59 |
| EUR | 1,695,629.89 | 7.0084 | 11,883,652.52 |
| JPY | 8,800.00 | 0.0491 | 432.08 |
| Short-term borrowings | | | |
| Of which: USD | 142,725,968.19 | 6.7114 | 957,891,062.91 |
| Non-current liabilities due within one year | | | |
| Of which: USD | 119,000,000.00 | 6.7114 | 798,656,600.00 |

(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

X Financial Report

VII. Notes to items of the consolidated financial statements (Cont'd)

67. Government grants

(1) General information of government grants

Unit: RMB

| Type | Amount | Reporting item | Amount included in the current profit and loss |
|--|-------------------------|-----------------|--|
| Project funding for National Key Technology Research and Development Program | 1,040,775.00 | Deferred income | 82,350.00 |
| Infrastructure and environmental protection projects | 213,253,759.85 | Deferred income | 6,019,465.67 |
| Huanggang forestry-pulp-paper project | 484,333,633.51 | Deferred income | 12,513,108.90 |
| Zhanjiang forestry-pulp-paper project | 48,759,280.73 | Deferred income | 2,047,316.46 |
| Financial subsidies for technological transformation project | 138,382,429.50 | Deferred income | 5,767,903.86 |
| Funding for environmental protection | 601,751,354.74 | Deferred income | 25,296,070.94 |
| Others | 33,804,507.55 | Deferred income | 629,727.54 |
| Enterprise reform and development subsidies | 35,694,431.07 | Other income | 35,694,431.07 |
| Financial subsidies for technological transformation project | 39,864,749.67 | Other income | 39,864,749.67 |
| Refund of VAT upon assessment | 2,882,861.67 | Other income | 2,882,861.67 |
| Employment stabilisation subsidies | 1,139,637.40 | Other income | 1,139,637.40 |
| Subsidies for social insurance | 320.34 | Other income | 320.34 |
| Refund of tax | 3,786,175.32 | Other income | 3,786,175.32 |
| Government rewards | 1,070,000.00 | Other income | 1,070,000.00 |
| Subsidies for the pandemic | 1,500.00 | Other income | 1,500.00 |
| Subsidies for forestation | 1,651,396.64 | Other income | 1,651,396.64 |
| Others | 10,817,596.20 | Other income | 10,817,596.20 |
| Total | 1,618,234,409.19 | | 149,264,611.68 |

X Financial Report

VIII. Change in scope of consolidation

During the period, the scope of consolidation had 1 newly established subsidiary, namely Jiangxi Chenming Tea Co., Ltd. (江西晨鳴茶業有限公司), and 1 deregistered subsidiary, namely Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.

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 | | | Issued debt securities | Issued share capital |
|--|-----------------------------|------------------------|---|------------------------|--------------|----------|---------------|------------------------|----------------------|
| | | | | | Direct | Indirect | Acquisition | | |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | Zhanjiang | Zhanjiang | Paper making | For-profit corporation | 91.77% | | Establishment | 0 | |
| Shouguang Meilun Paper Co., Ltd. | Shouguang | Shouguang | Paper making | For-profit corporation | 62.4864% | | Establishment | 0 | 0 |
| Jilin Chenming Paper Co., Ltd. | Jilin | Jilin | Paper making | For-profit corporation | | 100.00% | Acquisition | 0 | 0 |
| Huanggang Chenming Pulp & Paper Co., Ltd. | Huanggang | Huanggang | Paper making | For-profit corporation | 70.15% | 29.85% | Establishment | 0 | 0 |
| Shandong Chenming Paper Sales Co., Ltd. | Shouguang | Shouguang | Sales of paper product | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shouguang Chenming Import and Export Trade Co., Ltd | Shouguang | Shouguang | Trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Jiangxi Chenming Supply Chain Management Co., Ltd | Jiangxi | Jiangxi | Trading | For-profit corporation | | 70.00% | Establishment | 0 | 0 |
| Chenming GmbH | Germany | Germany | Trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shouguang Chenming Papermaking Machine Co., Ltd. | Shouguang | Shouguang | Machinery manufacturing | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shouguang Hongxin Printing and Packaging Co., Ltd | Shouguang | Shouguang | Printing and packaging | For-profit corporation | 100.00% | | Acquisition | 0 | 0 |
| Shouguang Chenming Modern Logistic Co., Ltd. | Shouguang | Shouguang | Logistics | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Jinan Chenming Paper Sales Co., Ltd. | Jinan | Jinan | Investment management/ Paper product trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Huanggang Chenming Arboriculture Development Co., Ltd. | Huanggang | Huanggang | Arboriculture | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Chenming Arboriculture Co., Ltd. | Wuhan | Wuhan | Arboriculture | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Chenming Paper Korea Co., Ltd. | Korea | Korea | Paper product trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shouguang Shun Da Customs Declaration Co., Ltd. | Shouguang | Shouguang | Customs declaration | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shanghai Chenming Industry Co., Ltd. | Shanghai | Shanghai | Property investment and management | For-profit corporation | | 100.00% | Establishment | 0 | 0 |

X Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

| Name of subsidiary | Principle place of business | Place of incorporation | Nature of business | Type of legal person | Shareholding | | Acquisition | Issued debt securities | Issued share capital |
|---|-----------------------------|------------------------|----------------------------|------------------------|--------------|----------|------------------------|------------------------|----------------------|
| | | | | | Direct | Indirect | | | |
| Shanghai Chenyin Trading Co., Ltd. | Shanghai | Shanghai | Trading | For-profit corporation | | 51.00% | Establishment | 0 | 0 |
| Shandong Chenming Group Finance Co., Ltd. | Jinan | Jinan | Finance | For-profit corporation | 80.00% | 20.00% | Establishment | 0 | 0 |
| Jiangxi Chenming Paper Co., Ltd. | Nanchang | Nanchang | Paper making | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Nanchang Shengheng Trading Co. Ltd. | Nanchang | Nanchang | Trading | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Nanchang Kunheng Trading Co. Ltd. | Nanchang | Nanchang | Trading | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Shouguang Chenming Art Paper Co., Ltd. | Shouguang | Shouguang | Paper making | For-profit corporation | 75.00% | | Establishment | 0 | 0 |
| Hailaer Chenming Paper Co., Ltd. | Hailaer | Hailaer | Paper making | For-profit corporation | 75.00% | | Establishment | 0 | 0 |
| Shandong Grand View Hotel Co., Ltd. | Shouguang | Shouguang | Catering | For-profit corporation | 70.00% | | Establishment | 0 | 0 |
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd. | Wuhan | Wuhan | Paper making | For-profit corporation | 65.21% | 34.64% | Establishment | 0 | 0 |
| Shanghai Chenming Financial Leasing Co., Ltd. | Jinan | Jinan | Financial leasing | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Qingdao Chenming Nonghai Financial Leasing Co., Ltd. | Qingdao | Qingdao | Financial leasing | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Chenming (HK) Limited | Hong Kong | Hong Kong | Paper product trading | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Shouguang Hongyi Decorative Packaging Co., Ltd. | Shouguang | Shouguang | Packaging | For-profit corporation | | 100.00% | Merger and acquisition | 0 | 0 |
| Shouguang Xinyuan Coal Co., Ltd. | Shouguang | Shouguang | Coal | For-profit corporation | | 100.00% | Merger and acquisition | 0 | 0 |
| Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd. | Shouguang | Shouguang | Purchase and sale of waste | For-profit corporation | | 100.00% | Merger and acquisition | 0 | 0 |
| Shouguang Wei Yuan Logistics Company Limited | Shouguang | Shouguang | Logistics | For-profit corporation | | 100.00% | Merger and acquisition | 0 | 0 |
| Wuhan Chenming Qianneng Electric Power Co., Ltd. | Wuhan | Wuhan | Thermal power | For-profit corporation | | 51.00% | Establishment | 0 | 0 |
| Shandong Chenming Investment Limited | Jinan | Jinan | Investment | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Japan Chenming Paper Co., Ltd. | Japan | Japan | Paper product trading | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Chenming International Co., Ltd. | the United States | the United States | Paper product trading | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Zhanjiang Chenming Arboriculture Development Co., Ltd. | Zhanjiang | Zhanjiang | Forestry | For-profit corporation | | 100.00% | Establishment | 0 | 0 |
| Yangjiang Chenming Arboriculture Development Co., Ltd. | Yangjiang | Yangjiang | Arboriculture | For-profit corporation | | 100.00% | Establishment | 0 | 0 |

X Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

| Name of subsidiary | Principle place of business | Place of incorporation | Nature of business | Type of legal person | Shareholding | | Acquisition | Issued debt securities | Issued share capital |
|---|-----------------------------|------------------------|-----------------------|------------------------|--------------|----------|------------------------|------------------------|----------------------|
| | | | | | Direct | Indirect | | | |
| Nanchang Chenming Arboriculture Development Co., Ltd. | Nanchang | Nanchang | Arboriculture | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Guangdong Huirui Investment Co., Ltd. | Zhanjiang | Zhanjiang | Investment | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Jilin Chenming New-style Wall Materials Co., Ltd. | Jilin | Jilin | Wall materials | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Jilin Chenming Logistics Co., Ltd. | Jilin | Jilin | Logistics | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Jiangxi Chenming Logistics Co., Ltd. | Nanchang | Nanchang | Logistics | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Fuyu Chenming Paper Co., Ltd. | Fuyu | Fuyu | Paper making | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Zhanjiang Meilun Pulp & Paper Co., Ltd. | Zhanjiang | Zhanjiang | Paper making | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shandong Chenming Financial Leasing Co., Ltd. | Shanghai | Shanghai | Financial leasing | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Wuhan Junheng Property Management Co. Ltd. | Wuhan | Wuhan | Property | For-profit corporation | 100.00% | | Merger and acquisition | 0 | 0 |
| Guangzhou Chenming Financial Leasing Co., Ltd. | Guangzhou | Guangzhou | Financial leasing | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shanghai Hongtai Real Estate Co., Ltd. | Shanghai | Shanghai | Real estate | For-profit corporation | 100.00% | | Merger and acquisition | 0 | 0 |
| Shanghai Hongtai Property Management Co., Ltd. | Shanghai | Shanghai | Property | For-profit corporation | 100.00% | | Merger and acquisition | 0 | 0 |
| Shandong Chenming Commercial Factoring Co., Ltd. | Jinan | Jinan | Business factoring | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Guangzhou Chenming Commercial Factoring Co., Ltd. | Guangzhou | Guangzhou | Business factoring | For-profit corporation | 51.00% | | Establishment | 0 | 0 |
| Jiangxi Chenming Tea Co., Ltd. | Jiangxi | Jiangxi | Tea | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Zhanjiang Chenming Port Co., Ltd. | Zhanjiang | Zhanjiang | Port | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Beijing Chenming Financial Leasing Co., Ltd. | Beijing | Beijing | Financial leasing | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Chenming Paper USA Inc. | the United States | the United States | Paper product trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Guangdong Chenming Panels Co., Ltd. | Guangdong | Guangdong | Panels | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shanghai Chenming Pulp & Paper Sales Co., Ltd. | Shanghai | Shanghai | Paper product trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Meilun (BVI) Limited | Cayman | Cayman | Commerce | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) | Weifang | Weifang | Fund | For-profit corporation | 79.00% | | Establishment | 0 | 0 |

X Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

| Name of subsidiary | Principle place of business | Place of incorporation | Nature of business | Type of legal person | Shareholding | | Acquisition | Issued debt securities | Issued share capital |
|--|-----------------------------|------------------------|-------------------------|------------------------|--------------|----------|------------------------|------------------------|----------------------|
| | | | | | Direct | Indirect | | | |
| Nanjing Chenming Culture Communication Co., Ltd. | Nanjing | Nanjing | Marketing | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Chenming (Overseas) Co., Ltd. | Hong Kong | Hong Kong | Paper product trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Chenming (Singapore) Co., Ltd. | Singapore | Singapore | Paper product trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Kunshan Tuohan Plastic Products Co., Ltd. | Kunshan | Kunshan | Rubber and plastic | For-profit corporation | 100.00% | | Merger and acquisition | 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 | 100.00% | | Establishment | 0 | 0 |
| Qingdao Chenming Import and Export Trade Co., Ltd. | Qingdao | Qingdao | Trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Shanghai Herui Investment Co., Ltd. | Shanghai | Shanghai | Business services | For-profit corporation | 100.00% | | Merger and acquisition | 0 | 0 |
| Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd. | Huanggang | Huanggang | Capital market services | For-profit corporation | 60.00% | | Establishment | 0 | 0 |
| Shandong Dingkun Asset Management Partnership (Limited Partnership) | Shouguang | Shouguang | Business services | For-profit corporation | 99.90% | | Establishment | 0 | 0 |
| Huanggang Chenming Paper Technology Co., Ltd. | Huanggang | Huanggang | Paper making | For-profit corporation | 100.00% | | Establishment | 0 | 0 |
| Huanggang Chenming Port Co., Ltd. | Huanggang | Huanggang | Port services | For-profit corporation | 51.00% | | Establishment | 0 | 0 |
| Weifang Chendu Equity Investment Partnership (Limited Partnership) | Shouguang | Shouguang | Capital market services | For-profit corporation | 79.75% | | Establishment | 0 | 0 |
| Huanggang Chenming Pulp & Fiber Trading Co., Ltd. | Huanggang | Huanggang | Trading | For-profit corporation | 100.00% | | Establishment | 0 | 0 |

(2) Major non-wholly owned subsidiaries

Unit: RMB

| Name of subsidiary | Minority interest | Gain or loss attributable to minority interest during the period | Dividend to minority interest declared during the period | Closing balance of minority interest |
|---|-------------------|--|--|--------------------------------------|
| Shouguang Chenming Art Paper Co., Ltd. | 25.00% | -335,609.74 | | 94,958,580.73 |
| Shouguang Meilun Paper Co., Ltd. | 37.5136% | 49,134,340.15 | | 2,608,632,811.11 |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 8.23% | 6,806,334.65 | | 660,942,447.96 |

X Financial Report

IX. Interest in other entities (Cont'd)

2. Transaction changing shareholding in but not causing to loss of control over subsidiaries

(1) Changing in shareholding in subsidiaries

The Company previously held 96.26% equity interest in Zhanjiang Chenming Pulp & Paper Co., Ltd. In June 2022, Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) made a unilateral capital contribution to Zhanjiang Chenming Pulp & Paper Co., Ltd. Upon completion of the capital increase, its equity interest in Zhanjiang Chenming Pulp & Paper Co., Ltd. was 4.40%, and the transaction did not result in the loss of control over Zhanjiang Chenming Pulp & Paper Co., Ltd. by the Company. The transaction resulted in an increase in capital reserves of RMB29.6768 million.

(2) Effect of transactions on minority interest and equity attributable to the owners of the parent company

Unit: RMB

| | Unilateral capital contribution into Zhanjiang Chenming Pulp & Paper Co., Ltd. by Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) |
|--|---|
| Amount of capital increase | 400,000,000.00 |
| Share of net assets of the Company after the capital increase | 7,262,988,678.16 |
| Share of net assets of the Company before the capital increase | 7,233,311,863.47 |
| Difference | 29,676,814.69 |
| Of which: capital reserve adjustment | 29,676,814.69 |

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

| Name of joint venture and associate | Principle place of business | Place of incorporation | Nature of business | Shareholding | | Accounting method for investment in joint ventures or associates |
|---|--------------------------------|---------------------------|--------------------------|--------------|----------|---|
| | | | | Direct | Indirect | |
| Weifang Sime Darby West Port Co., Ltd. | Weifang | Weifang | Port construction | 50.00% | | Equity method |
| Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership) | Ningbo | Ningbo | Investment management | 40.00% | | Equity method |
| Weifang Xingxing United Chemical Co., Ltd. | Weifang | Weifang | Chemical | 50.00% | | Equity method |
| Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership) | Zhuhai | Zhuhai | Investment management | 50.00% | | Equity method |
| Goldtrust Futures Co., Ltd. | Changsha | Changsha | Futures | 35.43% | | Equity method |
| Guangdong Nanyue Bank Co., Ltd. | Guangdong | Guangdong | Bank | 6.76% | | Equity method |

X Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures

Unit: RMB

| Weifang Sime Darby West Port Co., Ltd. | Closing balance/ amount for the period | Opening balance/ amount for the prior period |
|---|--|--|
| Current assets | 25,297,253.82 | 21,774,345.85 |
| Of which: Cash and cash equivalents | 5,881,297.45 | 7,054,019.11 |
| Non-current assets | 499,047,444.00 | 507,959,459.20 |
| Total assets | 524,344,697.82 | 529,733,805.05 |
| Current liabilities | 28,199,178.16 | 12,094,403.33 |
| Non-current liabilities | 362,562,252.51 | 377,812,252.49 |
| Total liabilities | 390,761,430.67 | 389,906,655.82 |
| Equity interest attributable to shareholders of the parent company | 133,583,267.15 | 139,827,149.23 |
| Share of net assets based on shareholding | 66,791,633.58 | 69,913,574.62 |
| Adjustments | | |
| – Unrealised profit arising from intra-group transactions | 7,570,890.35 | 7,457,424.14 |
| Carrying amount of equity investment in joint ventures | 74,362,523.93 | 77,370,998.75 |
| Fair value of equity investment in joint ventures where publicly quoted prices exist | | |
| Revenue | 31,433,562.91 | 37,344,708.25 |
| Finance expenses | 10,778,949.56 | 10,648,523.23 |
| Income tax expenses | | |
| Net profit | -6,013,863.17 | -181,542.45 |
| Net profit from discontinued operations | | |
| Other comprehensive income | | |
| Total comprehensive income | -6,013,863.17 | -181,542.45 |
| Dividends received from joint ventures during the year | | |

X Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures (Cont'd)

| Weifang Xingxing United Chemical Co., Ltd. | Closing balance/ amount for the period | Opening balance/ amount for the prior period |
|---|--|--|
| Current assets | 114,838,677.84 | 100,024,598.36 |
| Of which: Cash and cash equivalents | 47,230,710.07 | 10,187,071.60 |
| Non-current assets | 15,936,927.61 | 20,299,403.19 |
| Total assets | 130,775,605.45 | 120,324,001.55 |
| Current liabilities | 29,133,526.39 | 27,883,399.22 |
| Non-current liabilities | 7,272,868.96 | 12,417,862.06 |
| Total liabilities | 36,406,395.35 | 40,301,261.28 |
| Minority interest | | |
| Equity interest attributable to shareholders of the parent company | 94,369,210.10 | 80,022,740.27 |
| Share of net assets based on shareholding | 47,184,605.05 | 40,011,370.14 |
| Adjustments | | |
| – Others | 44,689,780.07 | 44,612,417.61 |
| Carrying amount of equity investment in joint ventures | 91,874,385.12 | 84,623,787.74 |
| Fair value of equity investment in joint ventures where publicly quoted prices exist | | |
| Revenue | 9,070,496.70 | 404,300.88 |
| Finance expenses | -374,801.93 | -121,109.94 |
| Income tax expenses | | |
| Net profit | 7,126,354.85 | -1,450,118.81 |
| Net profit from discontinued operations | | |
| Other comprehensive income | | |
| Total comprehensive income | 7,126,354.85 | -1,450,118.81 |
| Dividends received from joint ventures during the year | | |

(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 | 4,370,525.23 | 4,378,938.81 |
| Non-current assets | 189,276,814.94 | 189,276,706.00 |
| Total assets | 193,647,340.17 | 193,655,644.81 |
| Current liabilities | | |
| Total liabilities | | |
| Equity interest attributable to shareholders of the parent company | 193,647,600.17 | 193,655,644.81 |
| Share of net assets based on shareholding | 77,455,941.70 | 77,459,159.43 |
| Adjustments | | |
| – Others | 119,838,326.16 | 119,838,326.16 |
| Carrying amount of equity investment in associates | 197,294,267.86 | 197,297,485.59 |
| Net profit | -8,044.64 | 858,903.93 |
| Total comprehensive income | -8,044.64 | 858,903.93 |

X Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates (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 | 9,149,573.99 | 7,991,295.94 |
| Non-current assets | 60,792,108.00 | 65,956,891.00 |
| Total assets | 69,941,681.99 | 73,948,186.94 |
| Current liabilities | 5,000.00 | 5,000.00 |
| Total liabilities | | |
| Equity interest attributable to shareholders of the parent company | 69,936,681.99 | 73,943,186.94 |
| Share of net assets based on shareholding | 34,964,844.16 | 36,967,896.31 |
| Carrying amount of equity investment in associates | 34,964,844.16 | 36,967,896.31 |
| Net profit | -4,006,504.95 | -12,211,392.16 |
| Total comprehensive income | -4,006,504.95 | -12,211,392.16 |

| Goldtrust Futures Co., Ltd. | Closing balance/ amount for the period | Opening balance/ amount for the prior period |
|--|--|--|
| Current assets | 737,682,309.63 | 764,880,728.01 |
| Non-current assets | 21,605,294.08 | 20,791,974.11 |
| Total assets | 759,287,603.71 | 785,672,702.12 |
| Current liabilities | 532,162,303.07 | 556,373,303.71 |
| Non-current liabilities | 39,771,231.87 | 34,269,041.10 |
| Total liabilities | 571,933,534.94 | 590,642,344.81 |
| Equity interest attributable to shareholders of the parent company | 187,354,068.77 | 195,030,357.31 |
| Share of net assets based on shareholding | 66,379,546.57 | 69,099,255.59 |
| Adjustments | | |
| – Goodwill | 104,073,292.25 | 104,073,292.25 |
| – Others | 12,681,688.88 | 12,279,914.66 |
| Carrying amount of equity investment in associates | 183,134,527.70 | 185,452,462.50 |
| Revenue | 27,108,619.25 | 9,407,419.49 |
| Net profit | -7,109,291.31 | -17,089,018.40 |
| Total comprehensive income | -7,109,291.31 | -17,089,018.40 |

X Financial Report

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates (Cont'd)

| Guangdong Nanyue Bank Co., Ltd. | Closing balance/ amount for the period | Opening balance/ amount for the prior period |
|--|--|--|
| Current assets | 198,800,828,582.08 | 146,917,546,535.28 |
| Non-current assets | 9,025,487,530.37 | 58,633,124,899.89 |
| Total assets | 207,826,316,112.45 | 205,550,671,435.17 |
| Current liabilities | 159,787,424,749.38 | 163,449,937,524.03 |
| Non-current liabilities | 28,880,840,271.32 | 23,509,056,497.47 |
| Total liabilities | 188,668,265,020.70 | 186,958,994,021.50 |
| Equity interest attributable to shareholders of the parent company | 19,158,051,091.75 | 18,591,677,413.67 |
| Share of net assets based on shareholding | 1,294,126,351.25 | 1,255,867,809.29 |
| Adjustments | | |
| – Others | 24,616,009.62 | |
| Carrying amount of equity investment in associates | 1,318,742,360.87 | 1,255,867,809.29 |
| Revenue | 13,809,608,464.83 | 2,009,057,538.56 |
| Net profit | 365,449,485.74 | 734,646,824.76 |
| Other comprehensive income | 70,787,018.40 | |
| Total comprehensive income | 436,236,504.14 | |
| Dividends received from associates during the year | | 21,000,000.00 |

(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 | 17,462,210.13 | 21,518,994.58 |
| Total amount of the following items based on shareholding | | |
| – Net profit | -3,056,784.45 | 791,377.16 |
| Associates: | | |
| Total carrying amount of investment | 6,379,351.54 | 7,488,250.59 |
| Total amount of the following items based on shareholding | | |
| – Net profit | -168,899.05 | -223,836.86 |

(5) Excess loss of joint ventures or associates

Unit: RMB

| Name of joint ventures or associates | Accumulated unrecognised loss incurred for prior periods | Unrecognised loss (or share of net profit) for the period | Accumulated unrecognised loss as at the end of the period |
|---|---|--|--|
| Arjo Wiggins Chenming Specialty Paper Co., Ltd. | 7,308,869.16 | | 7,308,869.16 |
| Xuchang Chenming Paper Co., Ltd. | 79,793,370.43 | 31,161,297.89 | 110,954,668.32 |

X Financial Report

X. Risk relating to financial instruments

The main financial instruments of the Company include monetary funds, accounts receivable, accounts receivable financing, other receivables, non-current assets due within one year, other current assets, financial assets held for trading, other non-current financial assets, long-term receivables, bills payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, lease liabilities and long-term payables. Details of each financial instrument have been disclosed in the relevant notes to the financial statements. 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. Goal and policies of risk management

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 also undertakes both regular and ad-hoc reviews of the implementation of internal control systems in compliance with risk management policies.

Risks associated with the financial instruments of the Company mainly include credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and commodity price risk).

The Board is responsible for planning and establishing the risk management structure of the Company, formulating risk management policies and related guidelines, and supervising the implementation of risk management. The Company has already formulated risk management policies to identify and analyse risks that the Company face. These policies mentioned specific risks, covering market risk, credit risk, liquidity risk, etc. The Company regularly assesses the market environment and the changes of the operating activities of the Company to determine as to making alteration to the risk management policies and systems. The Company's risk management is implemented by the Risk Management Committee according to the policies approved by the Board. The Risk Management Committee works closely with other business department of the Company to identify, assessing and avoiding certain risks. The internal audit department of the Company undertakes regular reviews of risk management controls and procedures, and report the audit results to the audit committee of the Company.

The Company spreads the risks from financial instruments by diversified investment and business portfolio, and develops risk management policies accordingly to mitigate the risk of over-concentration on any single industry, particular region or particular counterparties

(1) Credit risk

Credit risk is the risk that a counterparty will cause a financial loss for the Company by failing to discharge a contractual obligation.

The Company manages credit risk by collective classification. Credit risks are mainly attributable to bank deposit, bills receivable, accounts receivable, other receivables and long-term receivables etc.

The Company's bank deposit is mainly held with state-owned banks and other large and medium-sized listed banks. The Company anticipates that the bank deposit does not have significant credit risk.

X Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Goal and policies of risk management (Cont'd)

(1) Credit risk (Cont'd)

For bill receivable, accounts receivables, other receivables and long-term receivables, the Company sets related policies to control exposure of credit risks. The Company assesses its clients' credit quality and sets the related credit periods based on its clients' financial position, credit records and other factors such as the current market conditions. The Company monitors the credit record of its clients. For the clients with poor credit record, the Company ensure the credit risk of the Company in general is under control by means of written notice of payment collection, reducing credit periods or cancelling credit periods.

The Company's debtors of accounts receivable are the customers across different industries and regions. The Company continuously conducts credit assessment on the financial position of accounts receivable and purchases credit guarantee insurance if necessary.

The maximum credit risk exposure of the Company is the carrying amount of each financial asset in the balance sheet. The Company do not provide any other financial guarantee which may result in credit risks.

Among the accounts receivable of the Company, the accounts receivable attributable to the top five customers accounted for 26.34% (2021: 24.95%) of the Company's total accounts receivables. Among the other receivables of the Company, the other receivables attributable to the top five customers accounted for 74.49% (2021: 72.71%) of the Company's total other receivables.

(2) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

In managing liquidity risk, the Company ensures to monitor the cash and cash equivalent the management considered as sufficient, in order to meet the Company's needs for operation, and lower the effects from fluctuation of cash flow. The management of the Company monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Company obtains commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

The Company finances its working capital with capital generated from operating activities and bank and other borrowings. As at 30 June 2022, the Company's unutilised bank loan facility was RMB40,650.0 million (31 December 2021: RMB42,832.1880 million).

X Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Goal and policies of risk management (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 ten thousand RMB):

| Item | 2022.06.30 | | | | | Total |
|---|---------------------|-------------------|-------------------|------------------|-------------------|---------------------|
| | Within 1 year | 1-2 years | 2-3 years | 3-4 years | Over 4 years | |
| Financial assets: | | | | | | |
| Monetary funds | 1,489,190.53 | | | | | 1,489,190.53 |
| Accounts receivable | 377,424.26 | | | | | 377,424.26 |
| Accounts receivable financing | 91,272.75 | | | | | 91,272.75 |
| Other receivables | 274,959.34 | | | | | 274,959.34 |
| Long-term receivables | | 175,087.96 | 8,519.67 | 7,000.00 | 1,500.00 | 192,107.63 |
| Other current assets | 141,558.73 | | | | | 141,558.73 |
| Non-current assets due within one year | 521,604.42 | | | | | 521,604.42 |
| Total financial assets | 2,896,010.03 | 175,087.96 | 8,519.67 | 7,000.00 | 1,500.00 | 3,088,117.66 |
| Financial liabilities: | | | | | | |
| Short-term borrowings | 3,635,966.39 | | | | | 3,635,966.39 |
| Bills payable | 403,508.13 | | | | | 403,508.13 |
| Accounts payable | 326,898.69 | | | | | 326,898.69 |
| Other payables | 147,844.01 | | | | | 147,844.01 |
| Non-current liabilities due within one year | 455,835.17 | | | | | 455,835.17 |
| Long-term borrowings | | 206,515.51 | 30,929.00 | 20,675.00 | 278,204.00 | 536,323.51 |
| Lease liabilities | | 623.41 | 659.67 | 659.67 | 5,351.41 | 7,294.16 |
| Long-term payables | | 184,070.43 | 127,498.73 | 42,560.18 | 15,207.33 | 369,336.68 |
| Total financial liabilities and contingent liabilities | 4,970,052.39 | 391,209.35 | 159,087.40 | 63,894.85 | 298,762.74 | 5,883,006.74 |

X Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Goal and policies of risk management (Cont'd)

(2) Liquidity risk (Cont'd)

As at the beginning 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 ten thousand RMB):

| Item | 2021.12.31 | | | | | Total |
|---|---------------------|-------------------|-------------------|------------------|-------------------|---------------------|
| | Within 1 year | 1-2 years | 2-3 years | 3-4 years | Over 4 years | |
| Financial assets: | | | | | | |
| Monetary funds | 1,411,978.29 | | | | | 1,411,978.29 |
| Accounts receivable | 310,581.86 | | | | | 310,581.86 |
| Accounts receivable financing | 43,545.93 | | | | | 43,545.93 |
| Other receivables | 278,992.06 | | | | | 278,992.06 |
| Long-term receivables | | 201,047.51 | 8,329.67 | 5,600.00 | | 214,977.18 |
| Other current assets | 124,691.54 | | | | | 124,691.54 |
| Non-current assets due within one year | 684,643.44 | | | | | 684,643.44 |
| Total financial assets | 2,854,433.12 | 201,047.51 | 8,329.67 | 5,600.00 | | 3,069,410.30 |
| Financial liabilities: | | | | | | |
| Short-term borrowings | 3,352,302.52 | | | | | 3,352,302.52 |
| Bills payable | 308,951.23 | | | | | 308,951.23 |
| Accounts payable | 387,113.13 | | | | | 387,113.13 |
| Other payables | 148,257.58 | | | | | 148,257.58 |
| Non-current liabilities due within one year | 694,976.96 | | | | | 694,976.96 |
| Bonds payable | | 15,500.00 | | | | 15,500.00 |
| Long-term borrowings | | 124,525.02 | 88,929.00 | 10,929.00 | 303,251.00 | 527,634.02 |
| Lease liabilities | | 472.83 | 1,312.99 | 1,312.99 | 4,594.13 | 7,692.94 |
| Long-term payables | | 119,406.55 | 89,244.16 | 18,273.94 | 22,500.00 | 249,424.65 |
| Total financial liabilities and contingent liabilities | 4,891,601.42 | 259,904.40 | 179,486.15 | 30,515.93 | 330,345.13 | 5,691,853.03 |

The 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.

(3) Market risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes interest rate risk, exchange risk and other price risk.

Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of financial asset or future cash flow arising from changes in market interest rate. Interest rate risk may arise in the recognised interest-bearing financial instruments and unrecognised financial instruments (e.g. some loan commitments).

X Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Goal and policies of risk management (Cont'd)

(3) Market risk (Cont'd)

Interest rate risk (Cont'd)

The Company's interest rate risk arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Company closely monitors the interest rate risk due to changes in interest rate. At present, the Company does not adopt any interest rate hedging policies. However, the management is responsible for monitoring interest rate risk, and considers hedging significant interest rate risk as necessary. Interest rate hikes will increase the cost of new interest-bearing borrowings, 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 interest swap arrangements to mitigate its exposure to the interest rate risk.

Interest-bearing financial instruments held by the Company are as follows (in ten thousand RMB):

| Item | Balance for the year | Balance for the prior year |
|---|-------------------------|-------------------------------|
| Financial instrument with fixed interest rate | | |
| Financial liabilities | | |
| Of which: Short-term borrowings | 3,633,944.01 | 3,350,170.45 |
| Long-term borrowings | 534,746.81 | 526,438.53 |
| Bonds payable | | 15,500.00 |
| Long-term borrowings due within one year | 146,971.75 | 258,373.04 |
| Bonds payable due within one year | 35,000.00 | 127,063.69 |
| Total | 4,350,662.57 | 4,277,545.71 |
| Financial instrument with float interest rate | | |
| Financial assets | | |
| Of which: Monetary funds | 313,929.26 | 316,598.98 |
| Total | 313,929.26 | 316,598.98 |

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to remeasure those financial instruments held by the Company which expose the Company to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Company at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

X Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Goal and policies of risk management (Cont'd)

(3) Market risk (Cont'd)

Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in foreign currencies other than the functional currency.

The 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 2022 are as follows (in RMB ten thousands):

| Item | Liabilities denominated in foreign currency | | Assets denominated in foreign currency | |
|-------|---|-----------------------------------|--|-----------------------------------|
| | As at the end of the period | As at the beginning of the period | As at the end of the period | As at the beginning of the period |
| USD | 212,254.31 | 361,192.84 | 73,545.80 | 67,590.57 |
| EUR | 1,467.31 | 1,910.41 | 13,424.79 | 3,929.49 |
| HKD | | 4,055.52 | 16.36 | 69.89 |
| KRW | | | | 7.04 |
| YEN | 0.97 | | 720.47 | 812.91 |
| GBP | | | 7.23 | |
| Total | 213,722.59 | 367,158.77 | 87,714.65 | 72,409.90 |

The Company closely monitors the impact of exchange rate changes on the Company's foreign exchange risk. The Company has not taken any measures to avoid foreign exchange risks. However, the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

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 ten thousands):

| Increase (decrease) in after-tax profits | Balance for the year | | Balance for the prior year | |
|--|----------------------|------------|----------------------------|------------|
| Increase in exchange rate of USD | 5% | -14,290.01 | 5% | -14,680.11 |
| Decrease in exchange rate of USD | -5% | 14,290.01 | -5% | 14,680.11 |
| Increase in exchange rate of Euro | 5% | 744.61 | 5% | 100.95 |
| Decrease in exchange rate of Euro | -5% | -744.61 | -5% | -100.95 |

X Financial Report

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 2022, the Company's gearing ratio is 72.89% (31 December 2021: 72.78%).

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

As at 30 June 2022, assets and liabilities measured at fair value are listed as follows based on the three hierarchies as set out above:

| Item | Fair value measurements categorised into | | | Total |
|--|--|------------------|---------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| I. Continuous measurement of fair value | | | | |
| (i) Financial assets held for trading | 51,033,051.57 | | | 51,033,051.57 |
| 1. Equity instrument investments | 51,033,051.57 | | | 51,033,051.57 |
| (ii) Accounts receivable financing | | 912,727,537.75 | | 912,727,537.75 |
| (iii) Other non-current financial assets | | 519,927,003.25 | | 519,927,003.25 |
| (iv) Biological assets | | 1,500,540,144.47 | | 1,500,540,144.47 |
| 1. Consumable biological assets | | 1,500,540,144.47 | | 1,500,540,144.47 |
| Total assets continuously measured at fair value | 51,033,051.57 | 2,933,194,685.47 | | 2,984,227,737.04 |

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.

X Financial Report

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. | 72,510,000.00 | Cost method | | |
| Consumable biological assets: Forestry | 1,500,540,144.47 | Replacement cost method | Cost per mu for the first year of Eucalyptus | 806.00 (RMB/tonne) |
| | | | Cost per mu for the first year of Pines | 590.00 (RMB/tonne) |
| | | Roll back method of market price | Unit price per tonne of Eucalyptus wood | 590.00 (RMB/tonne) |
| | | | Unit price per tonne of wet pine | 525.00 (RMB/tonne) |
| | | | Unit price per tonne of China fir | 800.00 (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 | 27.53% | 27.53% |

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.

X Financial Report

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, please refer to Note IX. 3.

Balance of related party transaction between the Company and its joint ventures or associates during the period or prior periods are as follows:

| Name of joint ventures or associates | Relation |
|--|--------------------------------|
| Weifang Sime Darby West Port Co., Ltd. | A joint venture of the Company |
| Shouguang Meite Environmental Technology Co., Ltd. | A joint venture of the Company |
| Weifang Xingxing United Chemical Co., Ltd. | A joint venture of the Company |
| Shouguang Chenming Huisen New-style Construction Materials Co., Ltd. | A joint venture of the Company |
| Anhui Time Source Corporation | An associate of the Company |
| Lide Technology Co., Ltd. | An associate of the Company |
| Chenming (Qingdao) Asset Management Co., Ltd. | An associate of the Company |
| Jiangxi Chenming Port Co., Ltd. | An associate of the Company |
| Guangdong Nanyue Bank Co., Ltd. | An associate of the Company |

4. Other related parties

| Name of other related parties | Relation |
|---|--|
| Shouguang Huixin Construction Materials Co., Ltd. | A subsidiary of a company invested by the Directors and senior management of the Company |
| Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Chuanxuan, Yuan Xikun, Li Xueqin, Li Zhenzhong, Li Weixian and Dong Lianming | 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 Sime Darby West Port Co., Ltd. | Port miscellaneous expenses | 32,355,133.76 | 100,000,000.00 | No | 38,373,133.21 |

X Financial Report

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 | 8,581,891.97 | 4,489,589.98 |
| Shouguang Huixin Construction Materials Co., Ltd. | Sales of cement, coal, oil, etc. | 26,377.86 | 1,183,941.17 |

(2) Related party guarantee

The Company as guarantor

Unit: RMB

| Party being guaranteed | Amount under guarantee | Commencement date of guarantee | Expiry date of guarantee | Whether performance of guarantee is completed |
|---|------------------------|--------------------------------|--------------------------|---|
| Weifang Sime Darby West Port Co., Ltd. | 117,400,000.00 | 2017-12-20 | 2027-12-20 | No |
| Chenming (HK) Limited | 105,330,858.44 | 2022-3-28 | 2022-9-23 | No |
| Chenming (HK) Limited | 19,043,008.17 | 2022-5-6 | 2022-8-31 | No |
| Chenming (HK) Limited | 21,876,110.04 | 2022-4-1 | 2022-9-28 | No |
| Chenming (HK) Limited | 8,339,395.51 | 2022-4-3 | 2022-9-30 | No |
| Chenming (HK) Limited | 22,083,177.27 | 2022-4-6 | 2022-10-3 | No |
| Chenming (HK) Limited | 10,155,458.74 | 2022-4-12 | 2022-10-9 | No |
| Chenming (HK) Limited | 24,836,747.91 | 2022-4-25 | 2022-7-20 | No |
| Chenming (HK) Limited | 23,392,524.43 | 2022-4-22 | 2022-10-19 | No |
| Chenming (HK) Limited | 23,114,885.89 | 2022-5-30 | 2022-8-19 | No |
| Chenming (HK) Limited | 22,023,296.55 | 2022-5-27 | 2022-11-23 | No |
| Chenming (HK) Limited | 5,625,130.92 | 2022-5-31 | 2022-8-29 | No |
| Chenming (HK) Limited | 8,513,110.77 | 2022-5-31 | 2022-8-29 | No |
| Chenming (HK) Limited | 5,887,724.91 | 2022-5-31 | 2022-8-29 | No |
| Chenming (HK) Limited | 19,702,993.69 | 2022-6-10 | 2022-7-29 | No |
| Chenming (HK) Limited | 24,598,900.86 | 2022-6-13 | 2022-8-5 | No |
| Chenming (HK) Limited | 5,699,846.92 | 2022-6-6 | 2022-9-6 | No |
| Chenming (HK) Limited | 8,685,381.80 | 2022-6-6 | 2022-9-6 | No |
| Chenming (HK) Limited | 9,807,185.20 | 2022-6-8 | 2022-9-6 | No |
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd. | 30,000,000.00 | 2021/12/17 | 2022/10/16 | No |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 200,000,000.00 | 2021-8-30 | 2022-8-25 | No |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 300,000,000.00 | 2021-12-23 | 2022/12/22 | No |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 30,000,000.00 | 2021/7/19 | 2022/7/18 | No |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 45,000,000.00 | 2021/8/9 | 2022/8/8 | No |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 90,000,000.00 | 2022-5-19 | 2023-5-18 | No |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 20,000,000.00 | 2022-4-22 | 2023-4-21 | No |

X Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) 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 |
|--|---------------------------|--------------------------------------|-----------------------------|--|
| Huanggang Chenming Pulp & Paper Co., Ltd. | 30,000,000.00 | 2021/7/28 | 2022/7/27 | No |
| Jilin Chenming Paper Co., Ltd. | 98,580,000.00 | 2022-1-13 | 2022-7-11 | No |
| Jilin Chenming Paper Co., Ltd. | 18,000,000.00 | 2022-5-23 | 2023-5-8 | No |
| Jiangxi Chenming Paper Co., Ltd. | 10,000,000.00 | 2021-8-31 | 2022-8-24 | No |
| Jiangxi Chenming Paper Co., Ltd. | 10,000,000.00 | 2021-9-1 | 2022-8-24 | No |
| Jiangxi Chenming Paper Co., Ltd. | 20,000,000.00 | 2021-10-9 | 2022-9-28 | No |
| Jiangxi Chenming Paper Co., Ltd. | 150,000,000.00 | 2021-12-16 | 2022-12-15 | No |
| Jiangxi Chenming Paper Co., Ltd. | 27,000,000.00 | 2021-12-31 | 2022-12-23 | No |
| Jiangxi Chenming Paper Co., Ltd. | 2,000,000.00 | 2022-1-19 | 2023-1-18 | No |
| Jiangxi Chenming Paper Co., Ltd. | 28,000,000.00 | 2022-2-14 | 2023-1-18 | No |
| Jiangxi Chenming Paper Co., Ltd. | 150,000,000.00 | 2022-2-22 | 2023-2-21 | No |
| Jiangxi Chenming Paper Co., Ltd. | 94,450,000.00 | 2022-3-16 | 2023-3-15 | No |
| Jiangxi Chenming Paper Co., Ltd. | 99,000,000.00 | 2022-3-19 | 2023-3-18 | No |
| Jiangxi Chenming Paper Co., Ltd. | 12,500,000.00 | 2022-3-30 | 2022-9-26 | No |
| Jiangxi Chenming Paper Co., Ltd. | 10,000,000.00 | 2022-3-31 | 2023-3-31 | No |
| Jiangxi Chenming Paper Co., Ltd. | 20,134,200.00 | 2022-1-12 | 2022-7-11 | No |
| Jiangxi Chenming Paper Co., Ltd. | 70,000,000.00 | 2022/4/25 | 2023/4/24 | No |
| Jiangxi Chenming Paper Co., Ltd. | 49,000,000.00 | 2022/4/25 | 2023/4/24 | No |
| Jiangxi Chenming Paper Co., Ltd. | 270,000,000.00 | 2022/5/19 | 2023/5/17 | No |
| Jiangxi Chenming Paper Co., Ltd. | 73,000,000.00 | 2022/5/27 | 2023/5/26 | No |
| Jiangxi Chenming Paper Co., Ltd. | 80,000,000.00 | 2022/6/17 | 2023/6/16 | No |
| Jiangxi Chenming Paper Co., Ltd. | 10,000,000.00 | 2022/6/14 | 2023/6/12 | No |
| Jiangxi Chenming Paper Co., Ltd. | 20,000,000.00 | 2022/6/21 | 2023/6/16 | No |
| Jiangxi Chenming Paper Co., Ltd. | 28,317,695.39 | 2022/6/24 | 2023/6/20 | No |
| Jiangxi Chenming Paper Co., Ltd. | 12,000,000.00 | 2022/6/24 | 2022/12/20 | No |
| Jiangxi Chenming Paper Co., Ltd. | 250,000,000.00 | 2022/6/27 | 2023/6/24 | No |
| Jiangxi Chenming Paper Co., Ltd. | 13,000,000.00 | 2022/6/29 | 2022/12/26 | No |
| Jiangxi Chenming Paper Co., Ltd. | 100,000,000.00 | 2022/6/30 | 2023/6/30 | No |
| Jiangxi Chenming Paper Co., Ltd. | 1,532,212.62 | 2022-6-24 | 2022-12-21 | No |
| Shandong Chenming Paper Sales Co., Ltd. | 254,349,948.22 | 2022-2-15 | 2022-8-15 | No |
| Shandong Chenming Paper Sales Co., Ltd. | 459,968,037.61 | 2022-4-7 | 2023-4-3 | No |
| Shandong Chenming Paper Sales Co., Ltd. | 419,643,848.45 | 2022-4-21 | 2022-10-19 | No |
| Shandong Chenming Paper Sales Co., Ltd. | 126,012,917.62 | 2022-4-21 | 2022-10-19 | No |
| Shanghai Chenming Pulp & Paper Sales Co., Ltd. | 30,000,000.00 | 2022-1-26 | 2022-7-27 | No |
| Shanghai Chenming Pulp & Paper Sales Co., Ltd. | 10,000,000.00 | 2022-5-31 | 2023-5-31 | No |
| Shanghai Chenming Pulp & Paper Sales Co., Ltd. | 80,000,000.00 | 2022-6-1 | 2023-5-22 | No |
| Shanghai Chenming Pulp & Paper Sales Co., Ltd. | 10,000,000.00 | 2022-6-2 | 2023-5-22 | No |
| Shanghai Chenming Pulp & Paper Sales Co., Ltd. | 20,000,000.00 | 2022-6-21 | 2022-12-24 | No |
| Shouguang Meilun Paper Co., Ltd. | 124,867,323.20 | 2021-7-7 | 2022-7-4 | No |
| Shouguang Meilun Paper Co., Ltd. | 125,175,008.56 | 2022-1-25 | 2022-7-25 | No |
| Shouguang Meilun Paper Co., Ltd. | 131,454,694.19 | 2022-6-10 | 2022-12-7 | No |
| Shouguang Meilun Paper Co., Ltd. | 197,262,262.31 | 2022-1-7 | 2022-7-6 | No |
| Shouguang Meilun Paper Co., Ltd. | 69,076,521.58 | 2022-1-18 | 2022-7-18 | No |
| Shouguang Meilun Paper Co., Ltd. | 49,000,000.00 | 2022-4-30 | 2023-4-18 | No |

X Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) 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. | 162,136,733.49 | 2022-6-16 | 2022-12-13 | No |
| Shouguang Meilun Paper Co., Ltd. | 285,000,000.00 | 2022-1-29 | 2022-7-28 | No |
| Shouguang Meilun Paper Co., Ltd. | 100,000,000.00 | 2021-10-12 | 2022-10-11 | No |
| Shouguang Meilun Paper Co., Ltd. | 30,000,000.00 | 2021-8-31 | 2022-8-31 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 100,000,000.00 | 2021-7-13 | 2022-7-12 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 49,500,000.00 | 2021-8-12 | 2022-8-8 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 67,000,000.00 | 2021-9-15 | 2022-9-14 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 50,000,000.00 | 2021-9-26 | 2022-9-25 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 60,000,000.00 | 2021-10-18 | 2022-10-17 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 60,000,000.00 | 2021-11-12 | 2022-11-11 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 90,000,000.00 | 2021-11-16 | 2022-11-15 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 60,000,000.00 | 2021-11-17 | 2022-11-16 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 90,000,000.00 | 2021-11-23 | 2022-11-22 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 30,000,000.00 | 2021-11-24 | 2022-11-23 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 100,000,000.00 | 2021-12-15 | 2022-12-14 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 9,000,000.00 | 2021-12-20 | 2022-12-19 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 81,200,000.00 | 2021-12-22 | 2022-7-17 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 36,912,700.00 | 2021-11-16 | 2022-11-15 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 90,000,000.00 | 2022-1-6 | 2022-7-6 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 89,900,100.00 | 2022-1-6 | 2022-7-6 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 80,000,000.00 | 2022-1-13 | 2023-1-12 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 63,000,000.00 | 2022-1-20 | 2023-1-20 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 125,000,000.00 | 2022-1-21 | 2023-1-20 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 50,000,000.00 | 2022-1-26 | 2023-12-22 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 5,000,000.00 | 2022-1-27 | 2023-1-26 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 40,000,000.00 | 2022-1-30 | 2023-1-26 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 200,000,000.00 | 2022-2-18 | 2022-8-18 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 200,000,000.00 | 2022-2-15 | 2023-2-14 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 70,000,000.00 | 2022-2-22 | 2023-2-21 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 20,000,000.00 | 2022-3-3 | 2023-3-2 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 30,000,000.00 | 2022-3-22 | 2023-3-10 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 50,000,000.00 | 2022-3-16 | 2023-3-15 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 50,000,000.00 | 2022-3-7 | 2023-3-2 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 26,845,600.00 | 2022-3-21 | 2023-3-3 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 100,000,000.00 | 2022-4-8 | 2022-10-7 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 20,000,000.00 | 2022-4-21 | 2023-4-11 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 43,000,000.00 | 2022-4-27 | 2023-4-21 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 50,000,000.00 | 2022-5-7 | 2023-4-28 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 26,000,000.00 | 2022-5-13 | 2023-5-10 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 80,000,000.00 | 2022-5-13 | 2022-11-18 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 167,000,000.00 | 2022-5-12 | 2023-5-12 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 100,000,000.00 | 2022-5-31 | 2024-5-30 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 47,000,000.00 | 2022-6-22 | 2022-12-16 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 70,000,000.00 | 2022-6-24 | 2023-6-23 | No |

X Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) 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. | 48,500,000.00 | 2022-6-28 | 2023-6-10 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 41,403,000.00 | 2022-6-29 | 2022-12-23 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 67,000,000.00 | 2022-6-24 | 2023-6-23 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 200,000,000.00 | 2022-6-28 | 2022-12-23 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 31,543,580.00 | 2022-4-28 | 2023-4-21 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 22,818,760.00 | 2022-5-13 | 2023-5-10 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 49,664,360.00 | 2022-4-29 | 2022-7-28 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 58,334,709.41 | 2022-5-10 | 2022-9-9 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 664,428,600.00 | 2019-12-27 | 2022-12-27 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 78,500,000.00 | 2020-10-16 | 2023-10-15 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 113,500,000.00 | 2020-11-11 | 2023-11-10 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 98,500,000.00 | 2020-12-10 | 2023-12-9 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 99,500,000.00 | 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. | 100,000,000.00 | 2022-6-17 | 2025-6-16 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 100,000,000.00 | 2022-6-17 | 2025-6-16 | No |
| Hainan Chenming Technology Co., Ltd. | 50,000,000.00 | 2022-5-13 | 2022-11-14 | No |
| Shouguang Chenming Import and Export Trade Co., Ltd | 100,000,000.00 | 2022-1-14 | 2023-1-13 | No |
| Chenming (Singapore) Limited | 26,861,649.64 | 2022-6-17 | 2022-9-15 | No |
| Chenming (Singapore) Limited | 25,820,502.58 | 2022-6-24 | 2022-9-24 | No |
| Chenming (Singapore) Limited | 26,043,881.19 | 2022-6-29 | 2022-9-27 | No |
| Chenming (Singapore) Limited | 31,885,261.33 | 2022-6-14 | 2022-9-8 | No |
| Chenming (HK) Limited | 134,228,000.00 | 2021-11-19 | 2022-11-4 | No |
| Chenming (HK) Limited | 93,489,802.00 | 2022-3-17 | 2023-3-7 | No |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 120,000,000.00 | 2021-8-16 | 2022-8-15 | No |
| Shouguang Meilun Paper Co., Ltd. | 364,000,000.00 | 2020-12-4 | 2023-10-30 | No |
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd. | 6,000,000.00 | 2020-12-4 | 2023-10-30 | No |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 200,000,000.00 | 2020-12-4 | 2023-10-30 | No |
| Zhanjiang Runbao Trading Co., Ltd. | 160,000,000.00 | 2022-4-25 | 2024-4-25 | No |
| Zhanjiang Dingjin Trading Co., Ltd. | 135,581,900.00 | 2020-12-4 | 2022-11-22 | No |

(3) Related party lending and borrowing

Unit: RMB

| Related party | Borrowing amount | Starting date | Expiry date | Description |
|---------------------------------|------------------|---------------|-------------|-------------------------|
| Borrowing from | | | | |
| Chenming Holdings Co., Ltd. | 155,000,000.00 | 2022-1-6 | 2022-4-26 | Controlling shareholder |
| Guangdong Nanyue Bank Co., Ltd. | 425,000,000.00 | 2022-1-20 | 2023-1-20 | Associate |

X Financial Report

XII. Related parties and related party transactions (Cont'd)

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

| Item | Related party | Closing balance | | Opening balance | |
|---------------------|--|-----------------|--------------------|-----------------|--------------------|
| | | Book balance | Bad debt provision | Book balance | Bad debt provision |
| Accounts receivable | Shouguang Chenming Huisen New-style Construction Materials Co., Ltd. | 2,047,252.00 | 14,330.76 | | |
| Accounts receivable | Shouguang Meite Environmental Technology Co., Ltd. | 5,001,962.56 | 35,013.74 | | |
| Accounts receivable | Jiangxi Chenming Port Co., Ltd | 109,385.42 | 109,385.42 | | |
| Other receivables | Weifang Sime Darby West Port Co., Ltd. | 69,747,294.59 | 3,785,041.96 | 80,667,961.32 | 7,423,984.26 |
| Other receivables | Shouguang Meite Environmental Technology Co., Ltd. | 19,025,633.68 | 1,803,768.91 | 22,740,159.32 | 21,348.69 |
| Payments in advance | Shouguang Meite Environmental Technology Co., Ltd. | 5,370,726.99 | | | |

(2) Accounts payable

Unit: RMB

| Item | Related party | Closing book balance | Opening book balance |
|----------------------|---|-------------------------|-------------------------|
| 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 |
| Accounts payable | Weifang Sime Darby West Port Co., Ltd. | 11,378,405.32 | 7,609,782.51 |
| Accounts payable | Jiangxi Chenming Port Co., Ltd. | 2,324,708.87 | |
| Other payables | Jiangxi Chenming Port Co., Ltd. | 6,630,800.00 | |
| Contract liabilities | Anhui Time Source Corporation | 1,570.10 | 1,570.10 |
| Other payables | Lide Technology Co., Ltd. | 508,619.46 | 508,619.46 |
| Other payables | Chenming (Qingdao) Asset Management Co., Ltd. | 116,656.55 | 115,633.42 |
| Receipts in advance | Chenming (Qingdao) Asset Management Co., Ltd. | | 49,539.63 |

X Financial Report

XIII. Share-based payment

1. General information of share-based payment

Applicable Not applicable

Unit: RMB

| | |
|--|-----------------------------|
| Total exercised equity instruments of the Company during the period | 0.00 |
| Total invalid equity instruments of the Company during the period | 24,176,200.00 |
| Range of strike price and remaining periods of contracts of stock options excluding of which the Company issues 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 2022 cannot be fulfilled, and the corresponding second batch of the 30% Restricted Shares cannot be unlocked. In addition, 27,006,200 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 shares |
| Basis for determining the quantity of exercisable equity instruments | See explanation for details |
| Reasons for significant difference between the current estimate and previous estimate | See explanation for details |
| Accumulated amount of equity-settled share-based payment included in the capital reserve | 78,193,784.34 |
| Total amount of equity-settled share-based payment recognised in the current period | -6,850,012.78 |

X Financial Report

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 | 285,099,655.45 | 181,254,971.61 |

2. Contingency

(1) Significant contingency as at the balance sheet date

The Company had no material contingency as at the balance sheet date.

(2) To state that the company has no material contingency that needs to be disclosed

The Company had no material contingency that needs to be disclosed.

XV. Post-balance sheet event

As of 30 June 2022, the Company has no other events that should be disclosed after the balance sheet date.

XVI. Other material matters

1. Segment information

(1) Basis for determination and accounting policies

According to the Company's internal organisational structure, management requirements and internal reporting system, the Group's operating business is divided into 4 reporting segments. These report segments are determined based on the financial information required by the company's daily internal management. The management of the Group regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The Company's reporting segments include:

- (1) Machine-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.

X Financial Report

XVI. Other material matters (Cont'd)

1. Segment information (Cont'd)

(2) Financial Information of Reporting Segment

Unit: RMB

| Current period or end of current period | Machine-made paper and pulp | Financial services | Hotels and property rentals | Others | Elimination | Total |
|---|-----------------------------|--------------------|-----------------------------|------------------|-------------------|-------------------|
| Revenue | 33,293,149,611.73 | 313,686,272.81 | 236,294,775.54 | 2,283,741,250.50 | 19,450,443,544.75 | 16,676,428,365.83 |
| Of which: revenue from external transactions | 16,091,824,702.93 | 125,629,976.14 | 108,076,112.11 | 350,897,574.65 | | 16,676,428,365.83 |
| Revenue from inter-segment transactions | 17,201,324,908.80 | 188,056,296.67 | 128,218,663.43 | 1,932,843,675.85 | 19,450,443,544.75 | |
| Of which: Revenue from principal activities | 32,655,617,824.79 | 313,686,272.81 | 125,577,301.79 | 1,020,944,232.40 | 17,945,290,072.55 | 16,170,535,559.24 |
| Operating costs | 32,033,269,370.91 | 133,101,515.13 | 117,317,417.16 | 701,400,250.00 | 18,930,139,274.00 | 14,054,949,279.20 |
| Of which: Costs of principal activities | 31,805,102,552.96 | 133,101,515.13 | 86,078,159.49 | 542,878,138.76 | 18,944,714,891.54 | 13,622,445,474.80 |
| Operating expenses | 224,701,509.79 | 1,147,736.39 | 10,424,163.11 | 3,838,184.36 | 102,055,830.00 | 138,055,763.65 |
| Of which: salaries | 68,341,155.74 | 594,088.97 | 2,360,658.64 | 1,396,703.06 | | 72,692,606.41 |
| Depreciation expenses | 3,658,064.86 | 20,589.15 | 1,854,394.08 | 8,542.33 | | 5,541,590.42 |
| Office expenses | 1,105,011.63 | | 3,111.89 | | | 1,108,123.52 |
| Travel expenses | 8,263,434.15 | 133,127.96 | | 139,277.53 | | 8,535,839.64 |
| Selling commissions | 3,043,011.69 | | 3,521,573.18 | 318,820.19 | | 6,883,405.06 |
| Rental expenses | 2,433,614.84 | | | 44,843.41 | | 2,478,458.25 |
| Hospitality expenses | 22,109,421.79 | 399,930.31 | 18,718.00 | 427,535.26 | 169,037.55 | 22,786,567.81 |
| Warehouse expenses | 297,908.54 | | | 205,881.28 | | 503,789.82 |
| Others | 115,449,886.55 | | 2,665,707.32 | 1,296,581.30 | 101,886,792.45 | 17,525,382.72 |
| Operating profit/(loss) | 393,913,359.61 | 120,593,852.35 | 6,604,072.62 | 16,318,802.39 | 252,939,549.28 | 284,490,537.69 |
| Total cost of construction in progress incurred during the period | 618,300,337.33 | | | 20,617.48 | | 618,320,954.81 |
| Fixed assets acquired in the current period | 196,803,355.58 | 711,110.44 | 410,171.64 | 1,723,902.65 | | 199,648,540.31 |
| Intangible assets acquired during the period | | | | 305,955,525.74 | | 305,955,525.74 |
| Total assets | 131,047,372,405.39 | 21,036,519,263.19 | 8,008,176,271.16 | 7,256,995,196.55 | 82,162,482,091.05 | 85,186,581,045.24 |
| Total liabilities | 86,963,296,560.71 | 8,872,476,560.12 | 3,728,407,230.32 | 2,036,422,737.56 | 39,505,812,018.10 | 62,094,791,070.61 |

Basis of accounting: The transfer prices between the Company's segments are based on market prices.

X Financial Report

XVII. Major Item Notes of the Parent Company's Financial Statements

1. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

| Type | Book balance | | Closing balance | | | Book balance | | Opening balance | | |
|--|------------------|------------|-----------------|---|------------------|----------------|------------|-----------------|---|----------------|
| | Amount | Percentage | Amount | Bad debt provision Provision proportion | Carrying value | Amount | Percentage | Amount | Bad debt provision Provision proportion | Carrying value |
| | | | | | | | | | | |
| Accounts receivable assessed individually for bad debt provision | | | | | | | | | | |
| Of which: | | | | | | | | | | |
| Accounts receivable assessed collectively for bad debt provision | 1,219,841,113.33 | 100.00% | 4,911,757.18 | 0.40% | 1,214,929,356.15 | 146,213,282.74 | 100.00% | 4,612,037.23 | 3.15% | 141,601,245.51 |
| Of which: | | | | | | | | | | |
| Receivables from related party customers | 1,156,918,862.10 | 94.84% | | | 1,156,918,862.10 | 126,108,166.75 | 86.25% | | | 126,108,166.75 |
| Receivables from non-related party customers | 62,922,251.23 | 5.16% | 4,911,757.18 | 7.81% | 58,010,494.05 | 20,105,115.99 | 13.75% | 4,612,037.23 | 22.94% | 15,493,078.76 |
| Total | 1,219,841,113.33 | 100.00% | 4,911,757.18 | 0.40% | 1,214,929,356.15 | 146,213,282.74 | 100.00% | 4,612,037.23 | 3.15% | 141,601,245.51 |

X Financial Report

XVII. Major Item Notes of the Parent Company's Financial Statements (Cont'd)

1. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Items assessed collectively for impairment:

Accounts receivable with collective provision for bad debts based on receivables from related parties

Unit: RMB

| Name | Book balance | Closing balance Bad debt provision | Provision percentage |
|---------------|------------------|--|-------------------------|
| Within 1 year | 1,156,918,862.10 | | |
| Total | 1,156,918,862.10 | | |

Accounts receivable with collective provision for bad debts based on receivables from non-related parties

Unit: RMB

| Name | Book balance | Closing balance Bad debt provision | Provision percentage |
|---------------|---------------|--|-------------------------|
| Within 1 year | 58,419,430.06 | 408,936.01 | 0.70% |
| 1 to 2 years | | | |
| 2 to 3 years | | | |
| Over 3 years | 4,502,821.17 | 4,502,821.17 | 100.00% |
| Total | 62,922,251.23 | 4,911,757.18 | 7.81% |

Disclosure by ageing

Unit: RMB

| Ageing | Closing balance |
|----------------------------------|------------------|
| Within 1 year (including 1 year) | 1,215,338,292.16 |
| 1 to 2 years | |
| 2 to 3 years | |
| Over 3 years | 4,502,821.17 |
| Subtotal | 1,219,841,113.33 |
| Bad debt provision | 4,911,757.18 |
| Total | 1,214,929,356.15 |

X Financial Report

XVII. Major Item Notes of the Parent Company's Financial Statements (Cont'd)

1. Accounts receivable (Cont'd)

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

Bad debt provision for the period:

Unit: RMB

| Category | Opening balance | Provision | Changes in the period | | | Closing balance |
|--|---------------------|---------------------|-----------------------|-----------|--------|---------------------|
| | | | Recovery or reversal | Write-off | Others | |
| Accounts receivable with provision for bad debts | 4,612,037.23 | 2,047,859.77 | 1,748,139.82 | | | 4,911,757.18 |
| Total | 4,612,037.23 | 2,047,859.77 | 1,748,139.82 | | | 4,911,757.18 |

(3) 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 RMB1,219,357,493.76 in total, accounting for 99.96% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB4,828,712.22 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 | 960,997,446.28 | 78.78% | |
| Customer II | 190,921,415.82 | 15.65% | |
| Customer III | 58,016,031.66 | 4.76% | 406,112.22 |
| Customer IV | 5,000,000.00 | 0.41% | |
| Customer V | 4,422,600.00 | 0.36% | 4,422,600.00 |
| Total | 1,219,357,493.76 | 99.96% | 4,828,712.22 |

X Financial Report

XVII. Major Item Notes of the Parent Company's Financial Statements (Cont'd)

2. Other receivables

Unit: RMB

| Item | Closing balance | Opening balance |
|----------------------|-------------------------|-------------------------|
| Interest receivable | | |
| Dividends receivable | | 126,325,018.50 |
| Other receivables | 8,021,857,221.76 | 8,773,854,244.04 |
| Total | 8,021,857,221.76 | 8,900,179,262.54 |

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

| Item (or investee) | Closing balance | Opening balance |
|---|-----------------|-----------------------|
| Jiangxi Chenming Paper Co., Ltd. | | 72,896,218.50 |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | | 53,428,800.00 |
| Total | | 126,325,018.50 |

(2) Other receivables

1) Classification of other receivables by nature

Unit: RMB

| Nature | Closing book balance | Opening book balance |
|------------------------|-------------------------|-------------------------|
| Open credit | 8,100,301,136.29 | 8,849,264,265.13 |
| Guarantee deposit | 1,467,526.34 | 240,000.00 |
| Reserve and borrowings | 8,738,534.42 | 6,103,279.46 |
| Others | 5,487,933.49 | 11,961,652.43 |
| Total | 8,115,995,130.54 | 8,867,569,197.02 |

X Financial Report

XVII. Major Item Notes of the Parent Company's Financial Statements (Cont'd)

2. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision

Unit: RMB

| Bad debt provision | Stage 1 ECLs for the next 12 months | Stage 2 Lifetime ECLs (not credit- impaired) | Stage 3 Lifetime ECLs (credit- impaired) | Total |
|---|---|---|---|---------------|
| Balance as at 1 January 2022 | 41,288,305.23 | | 52,426,647.75 | 93,714,952.98 |
| Balance as at 1 January 2022 for the period | | | | |
| - Transferred to stage 2 | | | | |
| - Transferred to stage 3 | | | | |
| - Reversed to stage 2 | | | | |
| - Reversed to stage 1 | | | | |
| Provision for the period | | | 4,214,604.81 | 4,214,604.81 |
| Reversal for the period | 3,791,649.01 | | | 3,791,649.01 |
| Transfer for the period | | | | |
| Write-off for the period | | | | |
| Other changes | | | | |
| Balance as at 30 June 2022 | 37,496,656.22 | | 56,641,252.56 | 94,137,908.78 |

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

Applicable Not applicable

Disclosed by ageing

Unit: RMB

| Ageing | Closing balance |
|----------------------------------|------------------|
| Within 1 year (including 1 year) | 8,016,966,084.12 |
| 1 to 2 years | 6,278,479.37 |
| 2 to 3 years | 10,499,017.28 |
| Over 3 years | 82,251,549.77 |
| Total | 8,115,995,130.54 |

X Financial Report

XVII. Major Item Notes of the Parent Company's Financial Statements (Cont'd)

2. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

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

Provision of bad debt provision for the period

Unit: RMB

| Category | Opening balance | Provision | Changes in the period | | Others | Closing balance |
|--|----------------------|---------------------|-----------------------|-----------|--------|----------------------|
| | | | Recovery or reversal | Write-off | | |
| Bad debt provision for other receivables | 93,714,952.98 | 4,214,604.81 | 3,791,649.01 | | | 94,137,908.78 |
| Total | 93,714,952.98 | 4,214,604.81 | 3,791,649.01 | | | 94,137,908.78 |

4) Top five other receivables according to closing balance of debtors

The top five other receivables based on closing balance of debtors for the period amounted to RMB5,329,828,506.01 in total, accounting for 65.67% 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 | Maturity | Percentage to total closing balance of other receivables | Closing balance of bad debt provision |
|----------------|-------------|-------------------------|---------------|--|---------------------------------------|
| Customer I | Open credit | 2,005,200,000.00 | Within 1 year | 24.71% | 0.00 |
| Customer II | Open credit | 1,223,803,000.00 | Within 1 year | 15.08% | 0.00 |
| Customer III | Open credit | 865,510,075.00 | Within 1 year | 10.66% | 0.00 |
| Customer IV | Open credit | 857,550,893.00 | Within 1 year | 10.57% | 0.00 |
| Customer V | Open credit | 377,764,538.01 | Within 1 year | 4.65% | 0.00 |
| Total | | 5,329,828,506.01 | | 65.67% | 0.00 |

3. Long-term equity investments

Unit: RMB

| Item | Book balance | Closing balance | | Book balance | Opening balance | |
|---|--------------------------|----------------------|--------------------------|--------------------------|----------------------|--------------------------|
| | | Impairment provision | Carrying amount | | Impairment provision | Carrying amount |
| Investment in subsidiaries | 18,508,056,896.52 | | 18,508,056,896.52 | 18,480,556,896.52 | | 18,480,556,896.52 |
| Investment in associates and joint ventures | 324,189,775.31 | 5,994,545.96 | 318,195,229.35 | 331,467,464.62 | 5,994,545.96 | 325,472,918.66 |
| Total | 18,832,246,671.83 | 5,994,545.96 | 18,826,252,125.87 | 18,812,024,361.14 | 5,994,545.96 | 18,806,029,815.18 |

X Financial Report

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 (Carrying amount) | Change for the period | | | | Closing balance (Carrying amount) | Closing balance of impairment provision |
|--|--------------------------------------|----------------------------|---------------------------|-------------------------|--------|--------------------------------------|---|
| | | Additional contribution | Withdrawn contribution | Impairment provision | Others | | |
| Chenming Paper Korea Co., Ltd. | 6,143,400.00 | | | | | 6,143,400.00 | |
| Chenming GmbH | 4,083,235.00 | | | | | 4,083,235.00 | |
| Hailaer Chenming Paper Co., Ltd. | 12,000,000.00 | | | | | 12,000,000.00 | |
| Huanggang Chenming Pulp & Paper Co., Ltd. | 2,302,000,000.00 | | | | | 2,302,000,000.00 | |
| Huanggang Chenming Arboriculture Development Co., Ltd. | 70,000,000.00 | | | | | 70,000,000.00 | |
| Jinan Chenming Paper Sales Co., Ltd. | 100,000,000.00 | | | | | 100,000,000.00 | |
| Wuhan Chenming Hanyang Paper Holdings Co., Ltd. | 264,493,210.21 | | | | | 264,493,210.21 | |
| Shandong Grand View Hotel Co., Ltd. | 80,500,000.00 | | | | | 80,500,000.00 | |
| Zhanjiang Chenming Pulp & Paper Co., Ltd. | 5,110,000,000.00 | 27,500,000.00 | | | | 5,137,500,000.00 | |
| Shouguang Chenming Modern Logistic Co., Ltd. | 10,000,000.00 | | | | | 10,000,000.00 | |
| Shouguang Chenming Art Paper Co., Ltd. | 113,616,063.80 | | | | | 113,616,063.80 | |
| Shouguang Meilun Paper Co., Ltd. | 4,449,441,979.31 | | | | | 4,449,441,979.31 | |
| Shouguang Shun Da Customs Declaration Co., Ltd. | 1,500,000.00 | | | | | 1,500,000.00 | |
| Shandong Chenming Paper Sales Co., Ltd. | 762,641,208.20 | | | | | 762,641,208.20 | |
| Shouguang Chenming Import and Export Trade Co., Ltd. | 250,000,000.00 | | | | | 250,000,000.00 | |
| Shouguang Chenming Papermaking Machine Co., Ltd. | 2,000,000.00 | | | | | 2,000,000.00 | |
| Shouguang Hongxin 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 USA Inc. | 6,407,800.00 | | | | | 6,407,800.00 | |
| Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) | 632,000,000.00 | | | | | 632,000,000.00 | |
| Weifang Chendu Equity Investment Partnership (Limited Partnership) | 255,000,000.00 | | | | | 255,000,000.00 | |
| Total | 18,480,556,896.52 | 27,500,000.00 | | | | 18,508,056,896.52 | |

X Financial Report

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 (Carrying amount) | Additional contribution | Withdrawn contribution | Investment gain or loss recognised under equity method | Change for the period | | | Distribution of cash dividend or profit declared | Impairment provision | Others | Closing balance (Carrying amount) | Closing balance of impairment provision |
|---------------------------|--------------------------------------|-------------------------|------------------------|--|--|---------------------------------|--------------|--|----------------------|--------|-----------------------------------|---|
| | | | | | Adjustment of other comprehensive income | Other change in equity interest | | | | | | |
| I. Associates | | | | | | | | | | | | |
| Shouguang Chenming Huisen | | | | | | | | | | | | |
| New-style Construction | | | | | | | | | | | | |
| Materials Co., Ltd. | 6,902,869.87 | | | -215,525.03 | | | 1,000,000.00 | | | | 5,687,344.84 | |
| Weifang Sime Darby West | | | | | | | | | | | | |
| Port Co., Ltd. | 77,370,998.75 | | | -3,008,474.82 | | | | | | | 74,362,523.93 | |
| Subtotal | 84,273,868.62 | | | -3,223,999.85 | | | 1,000,000.00 | | | | 80,049,868.77 | |
| II. Joint ventures | | | | | | | | | | | | |
| Zhuhai Dechen New Third | | | | | | | | | | | | |
| Board Equity Investment | | | | | | | | | | | | |
| Fund Company (Limited | | | | | | | | | | | | |
| Partnership) | | | | | | | | | | | | |
| | 36,967,896.31 | | | -2,003,052.15 | | | | | | | 34,964,844.16 | |
| Ningbo Kaichen Huamei | | | | | | | | | | | | |
| Equity Investment Fund | | | | | | | | | | | | |
| Partnership (Limited | | | | | | | | | | | | |
| Partnership) | | | | | | | | | | | | |
| | 197,297,485.59 | | | -3,217.73 | | | | | | | 197,294,267.86 | |
| Chenming (Qingdao) Asset | | | | | | | | | | | | |
| Management Co., Ltd. | | | | | | | | | | | | |
| | 6,933,668.14 | | | -107,419.58 | | | 940,000.00 | | | | 5,886,248.56 | |
| Xuchang Chenming Paper | | | | | | | | | | | | |
| Co., Ltd. | | | | | | | | | | | | |
| | | | | | | | | | | | 5,994,545.96 | |
| Subtotal | 241,199,050.04 | | | -2,113,689.46 | | | 940,000.00 | | | | 238,145,360.58 | 5,994,545.96 |
| Total | 325,472,918.66 | | | -5,337,689.31 | | | 1,940,000.00 | | | | 318,195,229.35 | 5,994,545.96 |

X Financial Report

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 | 3,140,980,202.71 | 2,884,740,920.89 | 4,032,722,509.28 | 2,973,878,062.69 |
| Other activities | 605,682,653.79 | 496,489,124.84 | 650,730,956.36 | 537,196,013.25 |
| Total | 3,746,662,856.50 | 3,381,230,045.73 | 4,683,453,465.64 | 3,511,074,075.94 |

Information related to revenue:

Unit: RMB

| Category of contract | Machine-made paper | Others | Total |
|------------------------------------|--------------------|----------------|------------------|
| Type of goods | 3,140,980,202.71 | 605,682,653.79 | 3,746,662,856.50 |
| Including: | | | |
| Machine-made paper | 2,740,277,450.49 | | 2,740,277,450.49 |
| Material sales | | 364,976,994.36 | 364,976,994.36 |
| Leasing | | 8,724,715.35 | 8,724,715.35 |
| Others | 400,702,752.22 | 231,980,944.08 | 632,683,696.30 |
| By geographical area | | | |
| Including: | | | |
| Mainland China | 3,140,980,202.71 | 605,682,653.79 | 3,746,662,856.50 |
| Other countries and regions | | | |
| By the timing of delivery | | | |
| Including: | | | |
| Goods (at a point in time) | 3,140,980,202.71 | 596,957,938.44 | 3,737,938,141.15 |
| Services (within a certain period) | | | |
| Leasing income | | 8,724,715.35 | 8,724,715.35 |

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 | 270,000,000.00 | 2,669,260,273.97 |
| Income from long-term equity investments accounted for using the equity method | -5,337,689.31 | -4,587,981.17 |
| Investment gain on disposal of long-term equity investments | 751,679.56 | |
| Investment gain on holding other non-current financial assets | 2,800,000.00 | 15,000,000.00 |
| Investment gain on derecognition of financial assets | -30,954,557.50 | |
| Total | 237,259,432.75 | 2,679,672,292.80 |

X Financial Report

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 asset impairment) | -3,921,463.03 | |
| 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 | 149,264,611.68 | |
| Profit or loss from debt restructuring | -754,806.87 | |
| 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 | -62,122,863.58 | |
| Consumable biological assets measured at fair value | 3,309,448.09 | |
| Other gain or loss items within the definition of extraordinary gain or loss | -3,575,720.23 | |
| Less: Effect of income tax | 24,569,100.79 | |
| Effect of minority interest (after tax) | 896,568.64 | |
| Total | 56,733,536.63 | |

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

X Financial Report

XVIII. Supplementary information (Cont'd)

2. Return on net assets and earnings per share

| Profit for the reporting period | Rate of return on net assets on weighted average basis | Earnings per share | |
|---|---|-----------------------------|-------------------------------|
| | | Basic (RMB per share) | Diluted (RMB per share) |
| Net profit attributable to ordinary shareholders of the Company | 1.02% | 0.064 | 0.064 |
| Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company | 0.71% | 0.044 | 0.044 |

Data specification: When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on Perpetual Bonds of RMB44,481,369.86 from 1 January 2022 to 30 June 2022 are deducted.

3. 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

(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

The Board of Shandong Chenming Paper Holdings Limited
30 August 2022



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*